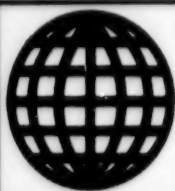


JPRS-EER-89-056
15 MAY 1989



**FOREIGN
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JPRS Report

East Europe

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JPRS-EER-89-056

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HUNGARY

Kadar Presence Seen as Obstructing Reform

25000219b Budapest NEPSZAVA in Hungarian
18 Apr 89 p 5

[Report: "On the Role of the President of the MSZMP (Hungarian Socialist Workers Party) and the Water Barrage; Debrecen Party Committee Meeting Held"]

[Text] The Debrecen City Committee of the MSZMP held a meeting yesterday. In commenting on several issues, party committee member Janos Mikita asserted that despite his many positive accomplishments, Janos Kadar had become an obstruction to progress by virtue of his mere presence on the scene as president of the MSZMP. Therefore he called on the local body to ask the president of the party to relinquish his post. The proposal was followed by a lively debate in which many took the position that the real reason behind the proposal was to divert attention from the need to address certain important problems facing the party. Only history will be able to provide an accurate assessment of Janos Kadar's activity. In the end, with 3 votes against and 8 abstentions, the city party body decided not to initiate the proposal to force the removal of the president of the party.

On a different matter the party committee took a unanimous stand: it decided not to initiate a signature gathering campaign in support of going ahead with the construction of the Bos-Nagymaros hydraulic dam project. The request to organize such a campaign had been made in a letter sent to the city organization through the Hajdu-Bihar county party committee by the Nagymaros party committee.

A wide-ranging debate had evolved over the question of what stand to take on such issues as platform freedom and the activities of various reform circles. In connection with the recent establishment of the Hajdu-Bihar county and Debrecen city reform wing of the MSZMP, Bela Sziklasi, a member of the city party committee stated his views the most unequivocally and in the closest accordance with the views of the local body itself. As he put it, the city party committee had an interest in seeing to it that the reform wing succeeds in its efforts.

Interior Ministry Apologizes for Police Brutality

25000219a Budapest NEPSZAVA in Hungarian
19 Apr 89 p 4

[Article: "Article by 'OS': "Statement by the Press Department of the Ministry of Interior"]

[Text] the press department of the Ministry of Interior has been authorized to release the following statement:

The Ministry of Interior wishes to express its regret for the actions of certain police officers who, clearly abusing their authority, have engaged in impermissible activities

in recent days. The leadership of the Ministry condemns such acts, and wishes to distance itself from them. It is conscious of the fact that such acts damage and undermine the institution's reputation, and the relationship between the police and the citizenry. The ministry thoroughly investigates all allegations of such activities, and when a crime is determined to have been committed, it initiates legal action against the perpetrators, taking prompt steps of its own by summarily dismissing them from the force. It has already proven its determination to do so (for example, in the Tiszafured case and in a recent bribery incident) by dismissing those who resorted to means that were clearly incompatible with their official capacity, without even waiting for the conclusions of the prosecutors inquiry or the judgement of the court. It intends to move with similar sternness in every instance a policeman violates our laws.

The overwhelming majority of the members of our police force are working to protect the rights and property of our citizens to the best of their abilities, without ever faltering, and by respecting and enforcing our laws. In performing this work it continues to count on the support and assistance of the populace, for the preservation of public order and safety can only be ensured through collective, and increasingly intensive efforts.

The Ministry of Interior does, however, reject as completely lacking foundation, the allegations contained in a declaration by the 13th district organization of the Hungarian Democratic Forum asserting that the preparation of police officers also includes training to hate. Responsible political entities cannot afford to make charges on the basis of suppositions and superficial conclusions.

The training and service preparation of our police officers have never contained elements defined in the form of a declaration. The fulfillment of their duties is governed by the constitution and by our laws. This is clearly evidenced by the many tens of thousands of correct decisions made in the interest of preserving public order which very often have earned the respect of the populace.

Somogy County Party Reformers Condemn Execution of Imre Nagy

25000219d Budapest NEPSZAVA in Hungarian
11 Apr 89 p 11

[Article: "County Party Reform Circle Issues Statement: Let No One Be Sentenced to Death for His Political Convictions"]

[Text] The recently published platform of the Somogy county reform circle of MSZMP [Hungarian Socialist Workers Party] members rejects the view—still held by a considerable number of people within the party—which, denying the just character of the action against the Rakosi system, and superficially oversimplifying what in many of its features was a democratic and revolutionary

popular uprising in Budapest, still insists on depicting the events of October 1956 as a counterrevolutionary rebellion instigated exclusively by political and common criminals.

It is with a particularly heightened sense of interest that we are following the renewed flare-up of tempers surrounding the personality of one of our country's native sons, Imre Nagy. There is no question that the mistakes and errors in judgement which he had made in the course of the events that had led to our national tragedy entailed extremely serious consequences. Still we believe that as an important figure of the Hungarian communist movement, and as one of the founders of the MSZMP, he is deserving not only of a proper final respect, but also an objective evaluation of his role on the basis of all pertinent contemporary documents and—hopefully soon to be accessible—records which also take into account his merits, stressed the declaration, in which the authors clearly distanced themselves from the method of protracted retribution and unjustifiably large number of persecutions. They consider it necessary to review the political trials, and to rehabilitate all those whose guilt cannot be substantiated in accordance with today's legal standards, regardless of whether they are requesting rehabilitation or not. In their opinion, the constitution should specifically forbid sentencing anyone to death in Hungary for his political convictions.

The declarants are fully cognizant of the possibility that these ideas might produce resentment and anger among a great many party members. We believe, however, that spiritual renewal which has become so vital for the party, can only be achieved through intense debates within the party.

It is a unique historical paradox that the forces of reform within the MSZMP are forced to bear the responsibility for the serious crises facing the country and Hungarian society with those who had created that crisis. It is difficult to tolerate looking on as the beneficiaries of the results of the past few decades are passing on the costs of those short-lived achievements to the generations of the present and the future. The responsibility for getting us to this low point, and the extremely risky task of guiding society out of its present state of crisis can no longer be handled by the MSZMP alone, hence along with the responsibility, it is now also ready to share some of its power. At the same time it intends, even within a multiparty framework, to retain its leading role. From the point of view of our party, this is completely understandable; for society as a whole, however, this can only be acceptable [if it is willing to disclose] the purpose for which it intends to use its retained share of power—as a means—to attain.

Spiritual renewal, a clearly stated and credible program which includes a definition of the basic values of socialism, as well as the strategy and tactics to be employed, can only be achieved in the wake of the establishment and open debate of various platforms. If in the course of

these debates—and of the compromises arrived at without violating anyone's principles—the expected party unity still fails to materialize, we must also be prepared to accept the resulting consequences.

In this case, too, we must do everything we can to prevent immeasurably damaging splits from occurring within the party; however, instead of attempting to preserve an only provisionally maintained form of organizational unity attained at the cost of compromises arrived at without regards to principals, what is needed is a “mutually agreed upon separation” resulting from a controlled and closely managed political process. This is the only honest course of action which in the future could ensure cooperation and alliance among representatives of different, in their entirety diverse, but at least partially overlapping system of views on certain identifiable meeting points.

In our opinion, once the partial elements of the party's ideological and organizational renewal can be said to amount to a—from the point of view of both content and form—entirely new quality, it will automatically raise the issue of our party's present name which, independently of our program—and along with our commitment to changing it—is in itself a source of distrust, the declaration states.

District Party Secretary To Hold 2d Job
25000219c Budapest NEPSZAVA in Hungarian
11 Apr 89 p 4

[Article by “deak”: “First Secretary in a ‘Second Job’; The Case in Angyalfold Is Not the First”]

[Text] As we reported in our Monday issue: Adam Angyal, general director of the Ganz Danubius Ship and Machine Factory, Inc., had been elected first secretary of the MSZMP [Hungarian Socialist Workers Party]'s 13th District Committee; Angyal has accepted this party function without compensation, and by retaining his managerial post. Since it is rather unusual, looking at the MSZMP's usual practice, to have a nonprofessional first secretary who has taken on the function as a “second job,” on Monday afternoon we went to ask Jozsef Harnoczi, a member of the MSZMP CC [Central Committee]'s party policy department whether or not the Angyalfold case could be considered a kind of a precedent.

“Although it appears to be a rather unusual thing to have a first secretary working without compensation, I would like to point out that this is not the first such case in Hungary,” replied Jozsef Harnoczi. “I had happened several times before that someone had caught the eyes of the party membership and leadership as a business manager, and thus was asked to declare his candidacy for a higher level party function. In Kalocsa, for example, an agronomist who had proved himself to be an effective producers cooperative president, was elected to the post of first secretary of the city party committee; for an

entire term he performed his duties as an independent party worker. At the end of the term, he was once again contacted by his cooperative membership who asked him to reassume his position as president. Since he did not want to refuse either assignment, he now serves as the elected president of the producers cooperative, and without compensation, as the first secretary of the city party committee.

[NEPSZAVA] Don't you consider the first secretary position to be irreconcilable with managing an economic entity operating in a given area? After all, such multiple functions could conceivably put the enterprise or cooperative in question into a privileged situation.

[Harnoczi] Irreconcilability can hardly be called the universal principle to be applied here. Particularly since these leaders have been the subjects of increasingly close scrutiny by their constituencies and collectives in both of their functions. I would like to point out that today not even the party movement can do without those valuable people who have repeatedly proven their leadership skills and suitability in various spheres of life. And although it is true that this kind of intertwining is still somewhat unusual when it comes to the functions of the first secretary, no one considers it unnatural, for example, if a doctor in a hospital, or a teacher in a school insists that as a condition to serving the public in the capacity of party secretaries they be allowed to retain their jobs as practicing physicians or teachers, in other words, if they refuse to abandon their original professions.

POLAND

Debunking the Silesian Myth: Disadvantages Outweigh Benefits

26000432 Warsaw POLITYKA in Polish
No 13, 1 Apr 89 pp 1, 6

[Article by Jan Dziadul: "An Attempt at Correction"]

[Text] Is the image of Silesia which became fixed mainly during the 1970's, and dates from earlier years, which shows a region that is hardest working, wealthiest, most devoted to the service of the government, a picture that is basically false now become one which has been replaced by an equally false one showing an untrue tearing of garments?

The most popular and until recently the most widely exhibited slogan seen on walls and banners in Silesia was "A Higher Quality of Work—A Higher Quality of Life!" The higher quality of life was broadcast daily to the nation in the television news report. Today it can be said that one had, and still has, little to do with the other.

In one of last year's Sejm proclamations Tadeusz Kijonka, the representative for the Silesian region, said: "The protectors and authors of the gigantic concentration of the heaviest industries in Silesia, in maintaining

the monopolistic position of mining which is determined by the rich deposits of coal and metal ores, had given thought only to the manufacturing effect, production, without any regard to the social costs. Even though Silesia had become and continues as the greatest crucible of migration during all the post war years, its rights and social needs were not properly respected. It is one thing to work for something, but something different to possess it."

A Sack of Sorrows

Without doubt the dominant role of the primitive heavy industry, mainly mining, and its ability to suck at the labor pool, has a definite effect on the daily lives of the inhabitants. In one of the basic areas necessary for the quality of life, the service sector, employment is only at 35 percent of the total while the national average is 47 percent. In other metropolitan areas it is incomparable: Warsaw 60 percent; Krakow, Poznan, Wroclaw, Gdansk are at 51 to 54 percent. To reach a level which approaches the national average in Silesia it would be necessary to transfer 200,000 workers from heavy industry to the service sector. There is no way of saying when this may be possible. Meanwhile the tendency is just the reverse. Just in the period 1980-87, while coal production went down by millions of tons, employment in mining grew by 60,000 persons. And this takes place to the detriment of the transportation and construction industries.

Heavy industry in the Silesian version does not require high qualifications from its workforce. This has led to the very unfavorable phenomena, a drop in the average educational level! While in the postwar years Silesia led the nation in educational statistics (for example—illiteracy was not a problem), now it occupies the last position. Over 40 percent of the inhabitants over 15 years of age have only an elementary education. The indicator for a high school education is the lowest for an industrialized region. Less than 5 percent of the population has education beyond high school, while the national average is 7 percent. Likewise, other comparative statistics sound improbable. The yearly expenditure per pupil in the Katowice voivodship is 14,041 zloty; nationally it is 19,451 zloty, in the capital it is 26,492 zloty! For 1,000 inhabitants in Silesia 59 are engaged in studies, in Lodz 146, in Warsaw 190.

The local administrative bodies often take offense when one equates Silesia to a cultural wasteland (for 4 million inhabitants there are 4 legitimate theaters of not the highest quality, 2 puppet theaters, an opera, a musical theatre, a philharmonic), but the truth is that the Katowice Voivodship is 44th (some time back it was 47th) as ranked nationally in funding of and access to cultural activities. The Katowice Voivode tries to explain this through the use of big numbers. Globally it seems that this is a lot but when it is put on a per inhabitant basis then.... While rare in other areas, the cultural sphere still

echoes the mentality of the 1970's, when the administrative organs tried to rule everyone and everything with their own wisdom. It was suggested that since the most valuable culture was flowing via television then there was no point of hanging around theaters or cabarets. After all, every good worker must start for work at six in the morning. Only production counted.

We have what we have. For each seat in a theatre or musical hall there are 1,200 persons; the national average is 625 (in Lodz Voivodship it is 200, in Warsaw 184). For each library there are 5,000 inhabitants, the national average is 1,130.

The situation in the health service is no better. Comparative statistics for Katowice, Warsaw, and Lodz (in reference to the Voivodship) are as follows: physicians employed per 10,000 inhabitants: 22,40,34; nurses: 55,61,57; hospital beds: 66,74,71. If not for the fact that the state of health among the inhabitants of Silesia requires a greater necessity of seeking aid from the health service—something we will discuss later—then we could say that there was no drastic difference. One cannot understand however that funding per hospital bed is only 322,271 zloty, 100,000 zloty less than the national average, and 200,000 less than in the capital!

No Horizon Over Silesia

One of the universal Silesian myths during the 1970's was readily available housing. Apartments were available, but mainly for the incoming population (during 1971-80 250,000 persons took up permanent residence). The local residents were faced with longer waiting periods, in ten thousand cases the living conditions worsened because of damage caused by the mining industry. Is it not a cruel irony that in the most highly industrialized voivodship nearly 200,000 inhabitants have no running water in their homes, a million do not have indoor bathrooms, and two million do not have central heating. The greater portion of buildings in Silesia have not had renovation since the end of the war. Katowice, the wealthiest city in prewar Poland has resources to renovate buildings only once per 100 years!

Among the European nations we hold the next to last position in the number of telephones per 1,000 inhabitants. But while in Warsaw there are 164 subscribers per 1,000 inhabitants, in Lodz 117, Silesia has only 52 and this puts it in the 52nd place in Poland. After the war this area had the most highly developed telecommunication network!

The situation in public transport is no better. For each bus there are 2,000 inhabitants; in Warsaw there are 1,000; in Krakow 1,200; in Wroclaw 1,400. The network of WPK [Voivodship Transportation Enterprise] lines constitutes 33 percent of the national city transport network, but it only possesses 11 percent of the total rolling stock in Poland.

According to the statistics of the Internal Marketing Institute the Katowice Voivodship is 5th nationally in the amount of personal consumption; Warsaw is in first place; then Lodz, Szczecin, and Wroclaw. Only in the consumption of alcohol and coffee does Silesia accompany the capital in first place. In essence the rationing system has levelled out food consumption. But the inhabitants of Silesia are first in the purchase of freezers, washing machines, refrigerators, television sets, which is no doubt influenced by access to the better supplied miners' stores. In 1985 Warsaw had the most automobiles per 1,000 inhabitants-162, Poznan-149, Silesia-117.

The sorry picture of the quality of life in Silesia is further colored in dark shades by the environment. But it appears that this is not a matter just for the region, the country, but for Europe as well. In mid-1988 using statistics from the American periodical EARTH ISLAND JOURNAL our press gave a list of the most polluted cities of the world. First place went to Zabrze, third to Katowice.

The Katowice Voivodship, but more specifically the Upper Silesian Industrial Region is listed among the areas of the old continent that have been most devastated by industry. Swedish economists have calculated, as was said at the last meeting of the Swedish-Polish Environmental Protection Association, that it is more economical for them to invest in protecting the environment in Upper Silesia than to try to eliminate the harm caused by the pollution flowing from there...in Sweden. It is unbelievable, but true. The sulfur dioxide from the worst grade insufficiently purified coal reaches Scandinavia. The 6,000 tons of salts flushed daily into the Vistula, and the lesser quantity into Oder, together with water pumped from the mines, are destroying biological life in the Baltic Sea. It is no accident that the Swedish government has suggested the exchange of Polish debt into investments by Poland into protecting the environment. In financial matters altruism is not popular, but the position taken by the Swedes testifies to the priority of the problem.

The worst situation is at the source. The average mortal is not told much by the numbers which describe the state of danger in the environment. After all what does it mean that the Silesian industry "produces" each year 30 percent of the nation's gas emissions, 40 percent of the dust, 30 percent of the sulfur dioxide, and 60 percent of the toxic industrial waste? The results are more convincing. In most nearly every corner of the voivodship the allowed norms for concentrations and intensities have been exceeded, sometimes, in the districts surrounding the large industrial complexes, this is on an alarming scale; from exceeding the norm for carbon monoxide 50 times, to exceeding the allowed concentration for lead 200 times. In the vicinity of the Szopieniec smelter in Katowice one kilogram of earth will yield 5 grams of lead. Such richness is frightening!

The dust and gasses vented into the air are producing unnatural changes in the atmosphere. Pilots are warning that over Silesia there is no horizon, because it seems to blend into the vapors of the swirling polluted air. For those treading on the earth's surface a more tragic concern is the fact that this screen of dust and gas absorbs 20 percent of the visible light and 30 percent of the ultraviolet radiation denying it to people and plants. This is the cause of the "acid rains" which are especially harmful to man and the environment.

The pollutants which fall upon the earth have created a state under which 20 percent of the arable land in the voivodship should be taken out of cultivation. On one-third only certain plants can be grown, something the farmers are not doing anyway. Three-fourths of the popular garden plots should be eliminated or used only for growing flowers. But it is not so: the earth yields fruit heavy with metals.

People live and work in this environment. There are 3 million inhabitants who live in zones where the environment is endangered. Of this one million are exposed daily to concentrations of chemicals and dust pollutants which exceed the highest allowable standards. In addition all around is a total of 1.5 billion tons of harmful, emitting byproducts. This gigantic dump is growing from year to year by 100 million tons, eating up 350 hectares of area covered by the heaps and tailings.

More Pensioners Than Retirees

This contact with the unnatural environment cannot happen without a price. This degeneration of the natural habitat, as nowhere in Europe, exacts a fatal sum from the inhabitants' health—from the cradle, through adulthood, to the autumn years.

At the Silesian Medical Academy studies have been conducted on the effects of industrial pollutants on the state of community health. The data on this subject are represented by easily understandable scores, where each point signifies an instance where the highest allowable standard for concentrations harmful to health was exceeded. For the Katowice Voivodship this indicator stands at 3000 points (for Zabrze it is 5,600). Other places on this black list are held by the following voivodships: Legnica-950, Krakow-790, Tarnobrzeg-530, Opole-450....It is more telling to note that out of the 28 most recurrent diseases in the nation, 22 have their highest frequency in Silesia. The people are paying a terrifying price for the disruption of the ecological balance in the natural habitat.

They pay it from the very beginning. Almost 45 percent of pregnant women have complications connected with their pregnancies. For many years now expectant mothers have been trying to spend the duration of their pregnancy outside the poisoned area for the good of their future child. But fundamentally this has little effect on

the health of the newborn. Research by the scientific personnel shows chromosomal changes in people and plants. The danger lies in our genetic information.

One of the basic measurements for the level of civilization is the death rate among newborns per 1,000 births. The national figure is 17, the average for the Katowice Voivodship exceeds 19, but within the Upper Silesia Industrial Region it is nearly 30! In Sweden the number is 7, in the GDR it is 11! In a trend that is the reverse of the national figures in Silesia mortality is greater in the cities, lesser in the countryside. From among the industrial cities only Lodz has a similar infant mortality, but in this instance the deciding factor is the effect of hard labor upon expectant mothers, not the living conditions.

Over 10 percent of the infants are premature. Fifteen percent of the children suffer from defects in posture and later in life suffer from infections of the upper respiratory system more frequently than their contemporaries around the nation. Nearly half of the children are under continual medical care.

In a later period of life it is certain that, except for the area one lives in, working conditions will complete the sorry state. Of the over a million persons employed in industry 300,000 work under conditions which expose them to concentrations and intensities of harmful agents which exceed the highest allowable standards. The result is occupational disease, over 2,600 cases annually, or one-third of all such cases in Poland. In addition absence from work due to sickness is on the increase. Annually for 100 workers this amounts to 470 unworked days (in mining it is 615) while the national average is 390.

Bodies affected by the devastated natural and work environments are prone to all types of disease. Tuberculosis is three times as frequent here. The mortality indicator for all age groups is the highest in the country: 10 percent from malignant cancers, 20 percent from cardiovascular disease, 50 percent diabetes related, 30-50 percent from emphysema and bronchial asthma. The average life span in Silesia is 3 years shorter than the national average. One more thing, a statistic symptomatic in its expression of comparisons, in the Katowice Voivodship there are more pensioners (380,000) than those who have reached retirement age (280,000)!

The causes of this state of things are well known. But one can consider whether even under the existing conditions (the primacy of heavy industry) it may not be possible to avoid such drastic degradation of the natural habitat? Consider: is it only the system or to some degree the unnatural methods, found especially here, for administering the authority. An authority which builds its political greatness on tons, cubic meters, and kilowatts?! It is here that the Stalinist economic model is present in its purest form. Always more, more, more...without any regard for the environment. There is no place for public remarks addressed at the capital from Katowice stating that "in the 1970's Silesia was given first priority in

industrial investment but its social needs were treated with silence." Is it so difficult to remember who was giving the investments to Silesia? It certainly wasn't the group from Lomza or Kielce.

Last year, for the first time in the postwar history, the migration to the region has been nearly equalled by the outflow of people into "the country" (here let us skip over departures to the FRG due to social and economic reasons). The reasons for these departures are due to the reasons analyzed above. It is mostly youth that is leaving Silesia, not believing that in this generation it is possible to repair the rather dismal realities. Is it possible the in the next few years there could be a change in the Silesian situation?

One necessary condition for the improvement of the natural environment in Silesia is the restructuring of industry. Meanwhile at the December 1988 session of the WRN [Voivodship People's Council] the members discredited and rejected a ministerial project, concluding that the energy-fuel and metallurgical industries still have priority; that is to say those industrial branches which are responsible for the destruction of the environment. Cited at that time was the government resolution from 1982 which stated the principles for development and functioning in the Katowice Voivodship according to which social goals were to have top priority over all other matters, and the documents from the travelling session of the Planning Commission attached to the RM [Ministers' Council] from March 1988, which was to give new impetus to the government's decisions. Still these documents remain but a mute record.

We Are Not Able To Repair Silesia by Ourselves

A truism that may well be repeated is the fact that most of Silesian products: coal, coke, steel, chemicals etc. are destined as supplies for meeting the cooperative goals of the rather shaky domestic manufacturing industries. Nothing can change this fact. "Only," asked the Katowice Voivode Tadeusz Wnuk in the course of an interview, "should Silesia alone bear the costs of production which exacts such an oppressive price from society?" This is why the Katowice governing bodies have come out with the initiative of an "Ecological Tax" which would be attached to all products whose manufacture causes environmental damage. The governmental center rejected this proposal. I will not attempt to make a judgment on the propriety of this idea, or the reasons for its rejection by the government, but one thing is certain, the state of Silesia's ecology cannot remain as a regional problem.

On a national scale, to bring the state of the natural habitat back to the established norms an "immediate" investment of about 23 trillion zloty would be required, mostly in Silesia. This hurdle to recovering the ecology is insurmountable. It would be a success merely to preserve the status quo, but experiences in the years since 1984 connected to the implementation of an environmental

protection program in the Katowice Voivodship, a minimum program, have raised doubts. In spite of great efforts, to date, it has not been possible to limit the emissions of sulfur dioxide, other gasses, halt the salination of the Vistula, or limit the growth of the slag heaps.

This is a doubtful consolation—may the Warsaw and Krakow "greens" pay close attention—that neither the sulfur emitted from the tall chimneys, nor the salt in the Vistula dumped in the river downstream of the drinking water intakes are problems that are strictly confined to Silesia. It is only another source of the ecological problems that make a terrible imprint on one third of the nation. The local governing bodies are trying to call attention to this fact: "We cannot repair Silesia by ourselves, we need help, understanding." On their part they are saying that the political will is different from what it was in the 1970's, that the intentions of their actions are to put social goals ahead of production. Unfortunately, these declarations either never go into practice, or never reach the daily realities of industry. It has been known for a long time that without any major financial input it would be possible to cut back from 10-15 percent of the environmental burden on Silesia just by holding to the technological limits. But the mentality of production over social needs still holds its primary place.

Great hopes of an insurrection against the degradation—actually a halt to it, because anything else is the melody of the uncertain future—are connected with the growing Silesian Ecological Foundation, news of which has spread around the country and abroad. Besides gathering and working out the material means to help the environment, the chief goal of the foundation, as defined by the government, would be "the stimulation of social initiatives for environmental protection and the creation of conditions for their effectiveness."

In Silesia one looks with unconcealed envy at the dynamic social movements supporting the environment in Krakow, Warsaw, or in Wroclaw. The local movements are rather brittle, nearly invisible, but the governing organs would like to connect great hopes to them. In the official contacts with the "center" there is a lack of penetrating force, then some matters could be given voice and pushed by social factors. One example is the action in Krakow to burn only coal of the best quality, which contains the least sulfur....Should not Silesia, which has been so far degraded, not have this same right?

This is one example of the possibilities for some quick solutions that could help the environment. Others touch similar problems. Should not the distribution list for coke, a fuel which is less harmful to the environment, list those cities which have polluting coke production facilities? A coke oven produces huge amounts of fuel gas, but this has nothing to do with piping in fuel gas to the surrounding settlements and towns. A contrary clinical

example of this is Ruda Slaska, one of the most polluted cities, where 30,000 coal fuelled home furnaces have an enormous impact on the pollution of the environment.

These are a few examples of small matters, which would help to improve the environmental situation, but the improvement would not be radical. The supporters of these last few activities often cite the British experiences from the 1950's when as a result of smog over London thousands of people were dying, while the Thames was one great sewer. The British found salvation by drastic adherence to new regulations concerning the preservation of the environment. It is pointed out that the most important of these were two regulations: that an industrial enterprise must draw water downstream of where it discharges its wastes; each enterprise must pay for the social costs of ecological degradation resulting from its discharge of pollutants. Here, say those familiar with the problem, in such case three quarters of the biggest polluters would have to declare bankruptcy. And such are the perspectives for Silesia, as well as the entire country, that are connected with bringing the environment back to health.

If one could somehow explain (explain not justify) the causes of the ecological disaster, then the degradation of civilization in Silesia appears incomprehensible. It is incomprehensible perhaps because in the 1970's, when the distance between the level of culture and education here and in the rest of the nation began to grow, when the health service, communications, the entire sphere of services began to fall below average; almost every third person in the party and government organs was Silesian born. Is it possible that this is one more proof that the myth of Silesia and of that decade was based on propaganda? It appears that Katowice was the weakest element of the facade in those years.

[Box, p 6]

Silesia (identified with the Katowice Voivodship)—4 million inhabitants crowded onto 2 percent of the country's total land surface. 400 large and medium sized industrial enterprises, of which 200 are included among the biggest polluters. The region—in spite of decreased industrial production—presently accounts, and will continue to in the near future, for one-fourth of the gross national product, one-fifth of all exports, and one-third of the ecological problems in the country.

YUGOSLAVIA

Atmosphere of 28 February-1 March Rally Sketched

28000092 Belgrade MLADOST in Serbo-Croatian
13 Mar 89 pp 13-14

[Article by M. Petrovic: "What a Million Is to You Today..."]

[Text] The beginning promised "more": a telephone call at 1 am on Tuesday, 28 February...The telephone rang persistently, and a voice asked me whether I knew what

had happened and told me to get dressed. I didn't know (I thought of a drill, headquarters, the NATO Pact), and I thought, "Damn it." The students had left the Student Building for the Assembly, and I had to come....I knew a great deal from the stories about the students who were marching to the Assembly, and also something from my personal experience in 1984 and the "bread and salt boycott," which only a few people still remember....I went, nevertheless. You never know.. On the street (first I heard "Count on Us") I encountered the column of students from Karaburma. They were walking down the street in the early morning; in front of them was a car from Akademac, the Belgrade student automotive society, which was flashing its signals and honking. There were flags and a picture of Tito. Except for them, there was not a single living soul on the streets of Belgrade.

The SFRY Assembly in Belgrade is a building which has been seen and remembered by more people in the last year than in all the past years together....A militia cordon had already been posted; there were about 30 of them, with the rest being in Kosovo. Well-informed people told me that we would be in hot water if they moved and we were standing on the steps. "Good morning, officer, we are journalists...." Pass.... The students also stopped in front of the platform from which officials step out of their "Mercedes" into the building, onto the steps covered by a portico....at least we would not get in hot water for the time being. There were 20,000 of them, they said, which the rigid militiamen believed that they could also estimate. But what did the students want at the Assembly? They said that they had scheduled a rally for 4 pm, but they saw the television broadcast of the meeting in Ljubljana, and came out spontaneously. I believed them.

About 50-100 journalists came with the students. We greeted each other; we did not see each other often, except in front of this building, when working people and citizens gathered. I noticed that about 20 of them did not come with the workers, and had never come under such circumstances, but now...I read their columns about 1984. I felt regret for my youth....One of the students, who had been around for a long time, told me that they had "crossed the bridge," alluding to the "historic battle near Podvoznjak" 21 years ago.

The taxi drivers who were "waking up Belgrade" in a column honked eerily through the city, and then came on foot to the platform in front of the Assembly, carrying in their hands their (former) shining signs. There was chanting about students and workers, which recalled last summer when the Zmaj workers from Zemun chanted "Students, students," but there were not any students....Not far from the site of the gathering were several GSB vehicles, those used to test the voltage of the streetcar network, and a joke was made about nightsticks. There was also speculation about what would happen when the workers came. Reporters from the daily newspapers were asking when the third shift was over, and when the streetcars started running.

The students were singing, "Start singing, my Yugoslavia," that song about how "who does not listen to us will listen to the storm." Their faces were shining, and they were standing quietly, with Yugoslav flags and "Count on Us." The militiamen were standing quietly. Some journalists, those who published the columns about 1968, were applauding, with shining faces: each of us has his own "decisive year" and what comes after it.

Demands were read: "And we condemn the support being offered by certain circles to the Albanian separatists." And there was chanting: "Slovenia lies. We want Sloba! We want President of the SFRY Presidency Raif Dizdarevic!" That went on, and then there was an announcement that Comrade Slobodan Milosevic was in Leposavic, and that they (their representatives) would be received by Comrade Raif Dizdarevic, and so they should disperse. There were outcries, but it was cold and they had been on their feet for 8 hours. It was 5:30 AM, and the first streetcars were running.

The most stubborn ones remained "to meet the workers."

It was 8:00, and every 5 minutes the radio announced an increase in the number of workers who had stopped work and were "seeking energetic measures to curb the situation in Kosovo." The first estimates were 100, 200...500 thousand people. Afterwards it was said that there were a million.

Sloba was coming at 11, it was said, and the chant of "Sloba, Serb, Serbia is with you" was heard. A million people—and it does not matter whether there were half as many—were carrying signs saying "Slovenia lies," and "Give back our southerners, we'll give you the Albanians." In contrast to the students early in the morning, the flags of Serbia and the Serbian Orthodox Church were appearing. The militia also appeared in greater numbers, and a cordon five ranks deep was established, with reason—the pressure of the assembled people was so great that at any moment it was possible that the crowd might find itself within the Assembly's entrance hall.

Workers were filing in from all sides.

"This is getting serious," one of the journalists said.

The "sociopolitical structures" reacted intolerably slowly. No one could inform the assembled people when Dizdarevic, Gracanin, and Milosevic would come. A police helicopter, which later flew over the crowd several times, attracted particular attention: they thought that this was Sloba arriving from Leposavic.

Sometimes it was stated from the entrance of the Assembly building that Comrade Milosevic had left, sometimes that he was busy in a meeting, a very important one, and then that an announcement would be made in time.

Medical orderlies were carrying unconscious people out of the crowd, and water was being distributed; they were also carrying away a militiaman from the cordon, the tops of whose shoes were being pulled across the steps...and the first sandwiches, a gift from the PKB workers, flew toward an improvised podium.

The journalists, gathered right next to the door of the Assembly, were joined by more and more people who were obviously not journalists: older people whom the militia brought out of the crowd, girls who proudly set out with the flags of their work crews and then found them too heavy....Also breaking through with unheard-of strength was a rather short and thickset man, draped with a Yugoslav flag and with an amateur camera in his hand, together with his wife, who was even shorter than he was. The barrier was also broken by the body of a television cameraman (accompanied by his wife); later, when Raif Dizdarevic was speaking, he turned toward me and said, "I've photographed him, and now there's just Sloba left."

A young man in his forties, in a deer-leather jacket and with a well-kept beard, suddenly turned around and asked "Where's security? Where's security?" He found them and reported that he had noticed a suspicious person, whom he had "kept under observation," and who had made his way through the militia cordon to the podium "now when Sloba is supposed to come." The suspicious person—I saw him—was wearing worker's clothes with the IMR emblem and a beret, which, in combination with the mustaches under a rather old nose, made it possible that the person in question was a "Siptar" [Albanian]. The militiamen, slightly confused, offered him water, and when he did not say "Falja," reported the incident to their officers. "Prevention is better than a cure," decided the one who noticed him, and so the Assembly security guards came—or some others, they are all the same—and politely told him to withdraw from the crowd and stand further from the podium...and with a Sumadija accent, he thanked them and said something else, and stood as if privileged, not sensing what was going on....And someone told the one who had noticed him that apparently he could be a potential computer expert: the other cursed and said, "Just let someone try something"—he was referring to people possibly attacking Milosevic—"and I'll tear his throat out with my teeth."

Well, that is what it was like while we were waiting for Sloba on that 28 February.

Raif Dizdarevic came and read sentences that were already well-known throughout Yugoslavia, not from 28 February, but many years earlier: who had and did not have the right to announce capitulation, how much fraternity and unity meant to us....The crowd, in contrast to him, did not read from prepared notes, and immediately chanted, "Tell that to the Slovenes, and let us turn from words to deeds." A sandwich flew....I have never been closer in my life to a Yugoslav chief of state, or he to me.

There were support telegrams and speakers from city forums, but "the people wanted Sloba." The medical orderlies were working untiringly.

There were icons of St. Sava. In the song "Who Says That..." the third verse changed in time, from the morning to the late afternoon hours, and so instead of "will fight again and will not be slaves," they sang "if God meets us." Crvena Zvezda [Red Star] fans, hooligans in orange jackets, threw themselves into the front ranks, and harassed the militiamen with the notorious "eee-yyaaaa." Sirens wailed.

The journalists on the steps, separated from them by the cordon, which was now seven ranks deep and consisted of increasingly exhausted militiamen, "analyzed" the reasons for Slobodan Milosevic's failure to respond to the demands of those gathered. No one ventured to predict further events, and militiamen arrived like a blue tide.

In the evening, around 8:00, it was already possible to pass through Revolution Boulevard. Young people were sitting on the roadway, talking and running, probably playing tag; someone would cry out "Sloba, freedom" [sloboda in Serbo-Croatian], and there were empty bottles everywhere.... Only 15 hours ago this was the scene of the most dignified gathering in Belgrade. Now...

There was no Sloba.

When twilight set in, the decisions of the SFRY Presidency were read. They were skillfully composed, and promising, but not as concrete as was demanded this morning.... Now it was the evening, and they were welcomed with applause.... The mischief of the fans continued, and when Slobodan Milosevic finally arrived, obviously tired, there was no euphoria. There was only applause, a brief address, and a departure: most of those gathered dispersed, and a group of persistent people chanted, "Treason." A young boy yelled from the head of the Assembly horse, cursing everyone, while an orange jacket shone.

While Milosevic spoke about the organizers of the Kosovo strike and announced harsh measures that would be taken against them, the crowd chanted, "Arrest Azemi!" In the best tradition of ancient orators, Milosevic repeated twice, "I can hear you well," and immediately afterward stated, "He will be arrested."

My colleagues who were listening to his statement by means of television say that they heard people saying, "Give us weapons."

I do not know where the microphone was placed, but the former was dominant in front of the Assembly and overpowered everything else.

The militia remained to fight with a group of "militant Serbs," who were throwing bottles at the cordon.

I left for home at 11 pm. That was not my cup of tea, either.

The next day, Serbs and Montenegrins arrived from Kosovo, along with school children who sang "Count on Us" and something else. Militiamen came from Valjevo and Sapac and blocked the area around the Assembly. This was, more or less, a classical disturbance of the peace. The newspapers reported that Vlasi had been arrested. There were polemics in Bonn about introducing visas. Several foreign photojournalists waited in front of the Assembly for "something." Everything else was as it had been before, until further notice.

Motives of Critics of Federalism Questioned
28000088 Zagreb VJESNIK in Serbo-Croatian
18 Mar 89 p 5

[Article by Zoran Daskalovic: "A Blow at the Majority Rule Measure"; first paragraph is VJESNIK introduction]

[Text] Federalization of the League of Communists: Does the call for federalization of the SK conceal an attempt at majorization on the one member-one vote principle?

From time to time terms become current in practical Yugoslav politics, terms which, while used with the intention of characterizing present-day social processes more precisely and picturesquely, have exactly the opposite effect. They introduce even more confusion, shroud the essential nature of problems in a fog, and cause even more disputes in the effort to find a concept for further development of society. One such term is federalization of the League of Communists of Yugoslavia (LCY). For the most part it has been used in the past by members of the LCY leadership, who believe that the Central Committee of the LCY and its presidium are exerting progressively less influence in determination and implementation of LCY policy, while the influence of the republic-level and province-level LCY organizations is increasing. At a recent meeting of a Commission of the Central Committee of the League of Communists of Serbia, Vladimir Stambuk in his introductory address characterized federalization of the LCY as a process which will destroy the LCY in the most direct manner. Among other things, he stated in this address that "the creation of national economies, self-contained commercial governments, use of the 1974 Constitution to strengthen Yugoslavia as a confederation, is being transformed into an attempt to federalize the LCY."

Distortion

"The demand for 'demonopolization' of the LCY is in reality a demand that the LCY be deprived of the possibility of ideological and political action at the federal level. Hence the purpose of federalizing the LCY

is to transform it into a traditional political party, but only at the republic level. It leads not to democratization of the LCY but to its distortion into a party of republic-level power..."

"In the past the functioning of the LCY as a vanguard has been hampered by federalization and confederalization of the LCY, bureaucracy, and isolation of the leadership from the rank-and-file members, the working class, and the people, by the coalescence of the LCY with the government and paragonovernmental power, and by the absence of a revolutionary strategy and vision for the next stage of development of socialist self-management.

"Renewal of the party must make it impossible for the LCY to be built as a federation of republic-level and province-level organizations, because in this instance the LCY becomes and remains a party of power, a party of compromises and the status quo.

"Reform of the LCY must eliminate the previous practice whereby the republic-level and the province-level leaderships and their interrelations represent the basis for determining and formulating LCY policy. As a result of this practice, the LCY Central Committee ceases to be a group of republic-level and province-level LCY organizations and creates special-interest coalitions which defend a particular set of republic-level and province-level interests.

"The essential feature of reform and democratization of the LCY is represented by introduction of the 'one LCY member, one vote' principle. It eliminates the previous situation of significant inequality of LCY members which has also led to the immobilization of the LCY and thus to the rise and persistence of the economic crisis, the survival of the counterrevolution in Kosovo, and the inefficiency of the political system."

Negative View of Federalism

When we read all this, we inevitably see the need for giving precise answers to the question of just what federalization of the LCY means, if for no other reason than that federalism is one of the fundamental principles of the establishment of Yugoslavia, being embodied in its name, the Socialist Federal Republic of Yugoslavia. Why then, is federalism being introduced precisely at this time, with a negative connotation, in evaluation of the current relationships within the LCY? We will take up things in order.

What is federalism, really? According to the Political Encyclopedia, "in its broadest sense it denotes the complex and pluralistic concept of political life. Its fundamental idea is that society is made up of numerous groups and associations which are different and similar, independent and dependent, individual and social, at the

same time. Hence federalism seeks organization of society and political life in the form of independent associations and self-managing units clustered around a common center which is an expression of what is common to them. Hence as it applies to the state, federalism comprises a series of pluralistic or complex associations." The Encyclopedia further states that "The content and vital essence of federalism are expressed by the effort to have cooperation replace commands, coordination replace subordination, mutual understanding replace compulsion from above, to have accommodation, negotiation, and replace trust in orders, and to have right replace might. The fundamental feature of federalism is the pluralistic concept of sociopolitical organization, that is, the striving toward reconciliation, intelligent discussion, and understanding. Its principle is solidarity, and its fundamental political ideology, based on the consent of the people, is limited by the freedom of man and the freedom of dissent under the rule of the constitution. The procedure for applying this ideology is again democracy alone. Lastly, federalism essentially requires freedom of all elements and groups and mutual respect among members of the federal state."

Reason of State

In his book "Nacela federalizma visenacionalne drzave" [Principles of Federalism of a Multiethnic State], Professor Zvonko Lerotic wrote the following, among other things: "According to the laws of the capitalist mode of production, which is guided by the logic of concentration and centralization of all the capital of the essential segments, resources, organizations, knowledge, and technologies, federalism is a backward type of organization of a political and social entity as a whole. But wherever the domain of labor should be governed by the working class, today the most progressive segment of the every people, where the power of the working class has not been replaced by the power of the party or the government party, or by a union of party and government, the concept of federal state is adapted to the system of interests of the working class, because this concept proceeds from the real interests of a large number of individuals and from mutual agreement based on scientific insight into the overall picture and the historical or 'essential' interests of the people and its working class. Hence the concept of a federal state complements the concept of self-management, and the concept of a unitary state is adapted to the interests of 'raison d'etat' [reason(s) of state], to the interests of an efficient state on behalf of the people and the working class."

Why All This?

When we get to the essence of federalism, the question suggests itself why federalization of the LCY is established as a fundamental point of departure for all the accumulated problems in the League of Communists, and then in society as a whole. Who benefits from the confident assertion that federalization has become the principle of operation of the LCY? The LCY statute does

not confirm internal relationships and the principles of operation of the LCY on the basis of the principles of federalism. The general principles of the LCY Statute specify that the members of the League of Communists are organized in republic-level and province-level LCY organizations, that relationships within the LCY "are based on the principles of democratic centralism, and that the independence of the League of Communists of the republics and provinces is expressed by their equal status and equal rights and responsibilities of active and creative participation in development and improvement of the uniform policy of the LCY, in elaborating policy and working out its details, and, within the context of this policy, of independently determining the policy, positions, and decisions for the content and implementation of which they bear direct and full responsibility toward all members and the LCY, toward its forums and organizations.

Consequently, Vladimir Stambuk in his introductory report did not take the LCY statute as a basis and approach the question of relationships inside the LCY in the light of the provisions of the statute, but in dealing with the proposed foundation for reform of the LCY underhandedly sneaked in the principle of federalism, which represents one of the principles of establishment of Yugoslavia. Whether he wished to or not, the conclusion suggests itself that the people have spoken, that they thereby wish to kill two birds with one stone, that is, simultaneously to deny federal organization of the SFRY and federal organization of the LCY as an association of members of the League of Communists of the republic-level and the province-level League of Communist organizations and the LCY organizations in the Yugoslav People's Army. The statement that the League of Communists is covered by federalization is at the same time a statement that the LCY does not operate in accordance with its statute. And inasmuch as federalization of the LCY is the source of its weakness and inefficiency, it can readily be inferred that federalism would not also be good as the principle of social organization. Hence the amazement over this obfuscation of the essential nature as a result of invention of a term such as federalization of the LCY.

A Call for Majority Rule?

It was right for both Stambuk and the commission of the LCY Central Committee to state their positions, clearly and forthrightly, and for these positions to be defended by the arguments which they advanced. But they are at the same time probably aware that they again call into question the long-established and accepted fundamental decisions in Yugoslavia and the LCY. We may assume that it is not because of the difficulty of the demands for redefinition that they were unable to display courage enough to state openly before the Yugoslav public what they are against and what they want. They have the obligation of doing precisely this, because they are not the only ones called upon to take a stand. And just as others must take a stand on this question, they must be

clear about what is involved and just what they want. It takes a great amount of skill to decipher all this, and the danger exists that they will find themselves in the position of interpreting something wrong, of offering opposition, and of causing disputes where there possibly should not have been any. Consequently, we want to put an end to questions leaving the possibility of causing us to change our minds. Does the commission of the Central Committee of the League of Communists of Serbia call for abolition of the federal system of organization of Yugoslavia and independence of the republic-level and province-level League of Communists organizations within the framework of a unified LCY or not in its introductory report and positions? On the basis of the evaluation of how the ethnic question has been resolved in Yugoslavia, is there insistence on the position that the essential feature of reform and democratization lies in introduction of the principle of one vote for each member of the LCY, or is this proposal to be used as a pretext deriving from a desire to bring about a majority rule?

Milosevic Tactics, Recent Statements Scored
28000097 Zagreb *STUDENTSKI LIST* in
Serbo-Croatian 15 Mar 89 pp 2-3

[Article by Cedo Buzancic: "The Kosovo Peonies Have Withered"]

[Text] The dramatic events which shook this region of ours at the end of last month (taking place at a time when differences in interest openly lead to an unseen political conflict in which the well-known phenomenon of the ethnic posture long ago grew past "that critical mass" beyond which explosion occurs) obviously threaten a real possibility that someone's careless move may remove us forever from the attempt at democratic settlement of our general crisis.

But in spite of the fear not only for a decent life, but also for a future which is not going to HAPPEN in some "future tense" (but is happening in the "present tense" by the law of singularity in which the proportion of these frightening creations logically leads toward universal paranoia—with unimaginable consequences for mental health), our highest political authorities are still not ashamed to show that they regard the people as notorious blind men at best or feeble-minded political illiterates. This absence of any lower limit of regard (in reports in which the country's top leadership ignores the need to communicate with its fellow citizens) is also becoming one of the generators of our crisis!

Even at the moment when the unprecedented drama of the Kosovo miners at Trepcja was a threat of unprecedented proportions, in a communique broadcast on 25 and 26 February the attention of the public was drawn to the announcement that "Rahman Morina had offered his resignation, but that the provincial, republic, and federal leadership had judged that that resignation would result in destabilization in Yugoslavia generally." We should not forget that that is the "first resignation

offered" and that that "communique" was issued at a moment when the horror and anxiety for the fate and life of 1,360 miners and their families had driven numerous individuals to do everything in their power by direct action so as not to be mere observers of human suffering and agony. Nevertheless, it seems that for our TOP FEDERAL LEADERSHIP the key issue in this drama is still (or perhaps is becoming!?) the cloudy definition of the "plan." Continuing to adhere to the political maxims which since Tito's death has brought us where we are—that communication among human beings, and therefore among nationalities as well, is the "last hole in the flute" so long as they can "go on bowing" on their fiddle of political monopoly—the top federal leadership continues its mute "communication." In so doing, it seems to be "forgetting" that Kosovo, which has finally become a community problem, the problem of all Yugoslavia, has become only the SYMPTOM, but not at all the CAUSE or driving energy of our domestic divisions. Our divisions have been caused by a much deeper and extremely serious and long-lasting pathology, above all in economic practice, but then also in political and cultural practice!

What, then, is happening with the leading figures in the League of Communists of Yugoslavia or with the State Presidency when even at that moment (when the SAWP [Socialist Alliance of Working People] of SR Slovenia is demanding with concern "decisive action to rescue the miners" and is sending an urgent APPEAL to prevent a tragedy," when in Slovenia a petition of support is signed by half a million citizens, at the moment when a message from the Council of the Federation of Croatian Trade Unions and the Presidium of the Croatian LC Central Committee decidedly demands that "a disaster must not be permitted at any cost, since nothing can replace human casualties—not a single political office, nor a single forum," when the Presidium of the Bosnia-Herzegovina Republic Conference of the SAWP, fearing the worst, demands that "human life be preserved") they did not even think of satisfying the minimal political demands of the miners—R. Morina's political "base" which, incidentally, the Albanian workers and miners are demanding or extorting by a method borrowed from their Serbian comrades and one that is already familiar all over the country? What kind of possible "destabilization" is being referred to so that, allegedly, "we must hold firm and not give in (?) to the miners"? Rahman Morina's resignation, had it actually been accepted, to which actually they never even gave an authentic thought, might, it is true, have evoked certain reactions to the extreme right-wing forces in Serbia, and perhaps even in a segment of the Serbian workers, but in Yugoslavia at large, and in Kosovo in particular, that resignation would have been seen in exactly the opposite light—as an expression of willingness to enter into dialogue with the Albanians and, incidentally, as the best evidence that the constitutional amendments in Serbia do not signify imposing Serbian administration on the Albanians. This would have brought the necessary peace of mind to the objectively disoriented citizens of Albanian nationality, and it would have narrowed to the

extreme the area in which the irredenta can carry out a campaign of disinformation. At the same time, someone probably would be found who could explain to the Serbian workers the notorious fact that Morina is not the only "MIRACLEWORKER" on whom resolution of the Kosovo problem depends, and that certainly he is not the only "honest" Albanian in Kosovo.

But, of course, in this entire rationale we certainly dare not forget that parallel to this action of preventing the tragedy of the miners (expressed mostly in Slovenia and to a somewhat lesser extent in Croatia) an unprecedented propaganda campaign was also taking place in the public (dis)information media in Serbia aimed at an unparalleled compromising of the rebellion of the miners and at an indecent and shameless playing down of the human sufferings of the Kosovo workers.

Who Is Lying?

So, a reasonable question arises: Who is spreading the misinformation and indeed even chaos through the country? Certainly not those who in the name of reason have been attempting to find arguments for an authentically effective action that would put an end once and for all to this Kosovo insanity in which the highest price is being paid by the innocent people of Kosovo, the Serbs, Montenegrins, and Albanians—together! That is why we really cannot comprehend the stubbornness of the Belgrade centers and their UNSCRUPULOUSNESS in using the suffering of their own people in order to achieve their own selfish advancement. At the same time, the tough federal political leadership (which long ago became accustomed to simply making solemn, ritual declarations) has been displaying an obvious inability to act on the real problems, and it is simply wasting its energy in futile choral orchestration and in blowing its horn about ideological unity and unity of action as it was in "some good old days." So, it seems that we are the only socialist country in which the leading Communists "place their trust in divine assistance."

After all, the technique of false promises did manage to bring the miners to the surface this time—but it is a vain hope that it will succeed any next time, just as it is a dangerous illusion that sun and freedom in Kosovo can be guaranteed in the long run with tanks and airplanes. So, the mute communications issued by the top federal leadership and the difference in assessment of the events that have taken place, depending on what is "required" by OPPORTUNENESS in view of the balance of power at the moment in the political poker game being played for the destiny of the country, and the now well-known DOUBLE standard in evaluating the same political actions are seriously disorienting all the citizens of this country and diluting any action in the name of humanism and patriotism. That kind of political practice is either not the "practice" of that theory about a humane, self-managed, and democratic society to which they all refer, or that is not the theory of this practice. This kind of political practice is that of deception, degraded and

degenerated below the level of human principles, and therefore the level of communist principles as well. Since even tomorrow, after all these occurrences as well as postponements of the "encounter" with the true problem, there will be future Serbian, Montenegrin, and Albanian children who will have to live even in Kosovo.

It is almost 2 years now since Milosevic made his promise of "rapid and decisive" action, and from that "easily promised speed" the Kosovo people—regardless of nationality—has gotten only the STATE OF EMERGENCY! What else has to happen for the top federal leadership to discover and unambiguously point out the FAILURE of Milosevic's "policy" and the danger which it represents for the entire country?

His policy, which even the top federal leadership is slowly adopting as political practice, and which is guided by "double standards" in treating the political subjectivity of the "nationality" and the "ethnic minority," we are afraid, can cause bloodshed. The DOUBLE STANDARD by which in one part of the country "there happens to be a nationality," while in another there are manipulated groups or an organized irredenta, the standard by which in one part of the country demands for resignations not supported by arguments are proclaimed to be "the ultimate of democracy," while in another part, when the Albanians use those same methods, they are proclaimed a violation of public law and order, and political blackmail and capitulation of the policy of the LCY Central Committee and a destruction of Yugoslavia, the standard by which the classic PUTSCH in Vojvodina and the replacement of the entire political structure in Montenegro is seen as a "revolutionary and basic method of solving problems in society," and the attempt to replace three politicians in Kosovo is proclaimed a continuation of the counterrevolution, IS INTRODUCING INTO POLITICAL LIFE—THE MOST FLAGRANT FORM OF ETHNIC DISCRIMINATION!

Fear

Can it be that the FEAR of what from now on is a truly possible destabilization "from the quarter" of the extreme right-wing forces of National Socialists, the bearded Nazi HORDES of Miroslav Solevic in Serbia, has so stunned the top Yugoslav political leadership that they no longer have even the little bit of communist courage or at least farsightedness and wisdom (at a moment of urgent need to make a decision to save the country) to SPEAK OPENLY about this without calculation and opportunism?!

This way, it is becoming more and more evident that the tale about a "possible destabilization in Yugoslavia at large" is only another dream whose purpose is to avoid naming the problem in public, as though by substituting arguments the problem will be replaced by some miracle. All of this is in any case only a continuation of that political practice which believed that if it pretended not

to see something, it thereby did away with it, the practice which even yesterday proclaimed at the top of its voice "that no one ever dared anywhere to identify the entire Albanian people (or should we say—ethnic minority?!) with the irredenta," while today material assistance to the families of the miners is EQUATED in Serbia and in certain satellite political forums with support and direct financing of the irredenta, whereby the families of the miners are presumably clearly equated with the salient of the counterrevolution. The assertion of the nonexistence of an ANTI-ALBANIAN disposition has also turned out to be a deception or at least the world outlook of an ostrich whose head is far below the surface of the ground. The crazy double murder in Kragujevac is only pathological and morbid, the hysterical culmination of a "policy" which built the strength of its charisma on universal fear of Albanians and on the role of the great custodian and sentry, which grew out of the militantly articulated and inculcated need to create a broad front in the fight against the Albanian "onslaught." The suspicion cast on the entire Albanian people and the belief in its "genocidal" character, whipped up to unprecedented proportions, embellished with the slogan "Slobo, Slobo" or "Slobo, brother SERB—Serbia is with you," has taken the awareness of ethnic identity to the point of a paradoxical self-imposed silence, and in that vulgar identification with just one person—all identity of the nationality, and of the individual separately, is utterly SUSPENDED and replaced by the grotesque totalitarian myth of the "charismatic" figure of the righteous man who "judges and condemns." His pictures are carried in the crowds like an icon which by its "authority" precludes any legal intervention by the state. Therefore, and precisely because no reasonable man has ever even attempted to deny the danger threatened by Albanian nationalism, nor, then, the justified anger of the people concerning the inability of certain political structures to halt that primitive chauvinistic attack, it seems that at this moment of the obvious growth of militant Serbian nationalism, the real problem is now the inability of the top political leadership, by making a principled assessment of events in the country, and then also by a clear and unambiguously articulated action—to restore the dangerously shaken confidence in the legal protection of ALL CITIZENS of the country, regardless of nationality.

The Voice of the 'Forums'

Serbian nationalism, fed by the boiling emotions of the natural human need for solidarity (but arising on the basis of ethnic allegiance—instead of general human and humane support with those exposed to the aggression of any nationalism) is even now making unconcealed use of the support for the Serbs and Montenegrins in Kosovo so as to carry out its own irrational plan, part of which is to carve up the country. With the long-standing indulgence of those forces in the top federal leadership which support the practice of the well-known political voluntarism in practice, the method of violence, terror, and the putsch has been enthroned first as a semilegal and parallel system, and then also as the recognized system,

but also as a political platform with a segment of the LC—the ideological platform of medieval pan-Serbism. In the illusion that has sprung up of the “great deception” that is necessary on behalf of urgent homogenization, the theory of the “criminal legacy” of the entire Albanian people has begun to utter an entire repertoire of fascistoid ideas (and recently even methods) in which any different opinion, even though it may be that of the Slovenian or Croatian SAWP—is proclaimed the voice of “forums,” a voice presumably alienated from the respective nationality, since the judgment appears to be that the moment has not yet come for those nationalities (as a whole) to become part of this morbid deception. Incidentally, in the pages of STUDENSKI LIST we have already indicated the counterproductivity of the action to resolve the Kosovo drama of Serbs and Montenegrins by a method that counts on a common front of the struggle against the irredenta and at the same time begins to divide the Albanians into “those few honest ones” and all “those others.” Now, we have already arrived at the point where in front of the Yugoslav Assembly, from a high stage, Slobodan Milosevic is delivering a public message to “all Serbs and HONEST Yugoslavs.”

Obviously, having already merged entirely with his role as “charismatic leader whose word the people takes for granted,” Milosevic, now encouraged by his success (the veto of the Serbian LC Central Committee of the second resignation by R. Morina, which the top federal leadership had silently accepted), addresses the mass of people, including the TV audience, in the completely standardized language of political rhetoric, imperative sentences, and the grotesque gestures of a general. That is exactly why there can be no mistake in reading the message! In response to shouts from the crowd “Arrest Vlasi,” he makes the promise (which I am afraid has historical significance for Yugoslavia): “They will all be punished....I give you a guarantee!” The unprecedented arrogance with which Milosevic proclaims himself to be the supreme ruler, judge, and executioner, right before the eyes of the country, in front of a million “soldiers” demanding weapons and in the same place demanding the “accountability” of Stipe Suvar, chairman of the LCY Central Committee, and they whistle at the head of state, is truly becoming insulting and extremely provocative.

Given the consciousness of the Albanians as Yugoslavia's greatest enemy and the Serbs as staunch defenders of the country and the only ones devoted to brotherhood and unity, we are now coming to hear slogans like “Slovenia is lying,” and indeed some much worse, and the phobia against anything “Shqipetar” is broadening its demands for reprisal, an imbecilic demand for punishment of all those who supposedly aided the irredenta by providing material support to Kosovo. Suitable propaganda programs over television or in newspaper articles nearly “reinforce” still more the evidence that all of Yugoslavia is caught up in fear and Serbophobia on the ramparts of the counterrevolution in Kosovo, as an

expression of an “unprincipled coalition” in the universal conspiracy against the Serbian people. It is thus “argued” at the people's expense that the practice of “Yugoslav synthesis,” of Yugoslav unity in both ideology and action, is presumably working to break up Serbia, and the practice of “political arbitration imposed by pressure of the masses of people” is offered and indeed even imposed as the logical solution.

Housecleanings

This has demonstrated once again how fateful it was for the country's top federal leadership to decide in the interest of its own convenience and inherent opportunism to “postpone until later” any possible conflict at all with the right-wing forces within it.

Now, several years later, with a markedly larger appetite, that conservative wing in the LC, hiding behind quasi-communist phraseology from the last century, having carried out PURGES in “its own” community, is now, without any scruples at all, canceling the old “agreement of the national bureaucracies on a coalition to protect the status quo,” but at the same time it is also doing away with the basic credo of every humane society that a man is innocent until the opposite has really been proven.

Reviving, first within his own republic and then also within the LCY, the old technique in the arsenal of the WORST TOTALITARIAN systems, and placing his own career as a leader and his desire for unlimited power ahead of the public interest, Slobodan Milosevic, as the representative and advocate of the most conservative forces, has become the crazy GAMBLER intoxicated in a mad game of chance with this country.

A game in which the “easily promised speed” obviously leads only to easily caused tragedy and bloodshed!

At this point, it is quite clear to the Albanian people that it is paying dearly for its hesitation in the lukewarm struggle against the nationalistic crazies in its own ranks, but it is still an open question whether the top federal leadership can allow Nazi methods of discrimination in the political life of the country under the cover of the argument about the threat to the Serbs and the inequality of SR Serbia? Can the pressure of a million Serbs and Montenegrins force the top federal leadership to capitulate, to trample upon all the basic principles of the country's federal system, and can the insatiable ambition of one man be more valuable than our future? The citizens of this country have never given anyone the legitimacy to make them peaceful onlookers and thereby accomplices of a policy which has set the nationalities at odds, has driven thousands of miners to make an attempt at self-destruction, and has imprisoned, arrested, or taken people into custody without valid evidence of guilt. Probably, we will sooner or later have to reap the universal doubt which the top federal leadership sowed by announcing, rejecting, and then again

accepting, and finally canceling the resignation of Rahman Morina. After all, even today there are all the indications that this resignation that was so sought after was never even seriously reflected on. Even then, it seems, they knew that the "first task was to ascertain the organizers and inspirers" of the Kosovo strike, of the demonstrations in early February, and the 5-day gathering in November 1988. Even then, therefore, they knew that the resignation was only and merely a deception, but that is anyway the normal sequence of a logic which probably still hopes that it will not have to find and resolve the real causes of the now greater contradictions in our society, but will again resolve everything with some new compromise. We have yet to see where we will be taken by the logic which holds that the greater need for political pluralism and construction of Yugoslavia on common interests can be replaced by a mere bureaucratic agreement, even though it may be among the national bureaucracies.

Architect Pesic on Politics, Church Construction

28000096 Belgrade STUDENT in Serbo-Croatian

23 Feb 89 p 17

[Interview with Branko Pesic, architect, by Nevenka Milosevic: "It Is Insulting To Say—Awakening!"; date and place not given]

[Text] STUDENT: Is there a kind of national awakening taking place among the Serbs today?

Pesic: A people cannot come awake overnight. All these processes did exist, but they were concealed—as during the occupation. After the war, just as it was during the occupation, it was prohibited to express dissatisfaction. One of the consequences has been the genocide and horror taking place in Europe at the end of the 20th century and degrading all of Yugoslavia, every one of its members. It is incomprehensible for us to sit here calmly while down there some child or woman has to be escorted when she leaves the house. Ilijaz Kurtesi, who is now said to have led the counterrevolution when he was holding the highest position, has received the demonstrators from Kosovo. The people feel manipulated and deceived, frustrated in their normal civic duties and rights, and when the occasion offered, they went out into the streets. And those who did not were with those who did in their thoughts. So, all of that existed, only now it can be demonstrated in public. But awakening implies that someone has been sleeping for a long time.

Milosevic has a historical duty which he has taken upon himself and which no one has had since the war. He is the first Serbian official to take his own community into account—just as Belgrade once felt Branko Pesic [another unrelated person] to be its mayor or as it now considers Bakocevic.

Directive: Avoid the Word 'Serb'

I would not agree that a national awakening is taking place in Serbia. There is only the opportunity which the present moment has created—I personally think that this has been done by Milosevic and the people around him.

Until yesterday, the slogan was: "A weak Serbia means a strong Yugoslavia." Until a few years ago, people avoided saying what they were—that they were Serbs (you can look it up in all the news media). I would like to know whether in Macedonia, Slovenia, or Croatia a directive could have been issued to avoid the name of those nationalities over the radio or television! And then, has there been a ban on songs in any other republic except Serbia? If "Beautiful Homeland" had been the Serbian anthem, I say that it would have been banned! These are all improbable things which the people knew, but had to keep silent out of fear—since the punishment was drastic. However, now things have opened up, and that is why I say that there never has been greater democracy in this community of ours. This talk about Stalinism, that is just denigration in the fashion of the party, not that it is not of interest to the people, but it means that the entire people is Stalinist. I personally, then, am a Stalinist, when first of all I am not a member of the party, so that it is very complicated for me to be a Stalinist, and in any case if I was an anti-Stalinist even in the period when the Yugoslav party was Stalinist, it probably would be very complicated for me to become a Stalinist now.

The point is only that the Serbian people is beginning to say what up to now it has not dared to say publicly, but was saying in closed circles, but that does not represent an awakening!

STUDENT: How do you look on the 1974 Constitution in that process of weakening Serbia?

Pesic: The 1974 Constitution was made to order for the nationalists—who were in the top leadership of certain republics. Reading the old documentation, I came across the item that Savka Dapcevic Kucar was enthusiastic about the 1974 Constitution and did not have even one criticism. And she, as you know, was the leader of the mass movement!

That constitution suited the true specimen of a nationalist just fine. And Serbia had cowardly poltroons for leaders, who had an excuse only if they fought for international communism, in which there is no one—not even the Serbs as such. Since that did not happen, and everyone pulled in his own direction, the Serbs ended up deceived, manipulated, or they really were cowards. I think that it was a mixture, since it is very fine and pleasant to be in power and enjoy everything that goes with it. The loss of all those privileges is very hard on such people, but what can you do, sooner or later the people must come into its own. The sooner, the better!

Certain things have to be urgently changed, young people have to "come into their own," or our children will see us as extremely negative and craven individuals.

Power of the People Only in Serbia

STUDENT: It is obvious that you attribute exceptional importance to the present Serbian leadership.

Pesic: We are finally hearing true Serbian speech from Milosevic and what I might call his intellectual entourage. Without rhetoric and without clumsy and incomprehensible terminology. What they are saying is clear to everyone. Second, in their position and behavior they have removed fear—they have said that it is not possible to live forever in silence, when you dare not be a Serb, and so on. They have done away with that, and that is why the greatest democracy is now right here in Serbia, and the only leadership, of the eight that exist, which has the people behind it, is the Serbian leadership. It perhaps seems strange, some people might even laugh, but even the priests are today lighting candles to the health of Slobodan Milosevic.

It is really incredible! Amazing and agreeable at the same time. This means that the people have spontaneously accepted the leadership. And a political leadership which is not popular is an occupational leadership. I say that the only "clean" power in Yugoslavia is in Serbia. All the rest is questionable. I would like all those who hold any position at all to be put up to a referendum, and they would faint at the results. It is not Ckrebic who would go, but 90 percent of those who voted against Ckrebic.

It would be horribly disappointing if this kind of policy were terminated. I do not believe that that will happen.

All of this is horrifying people in the other parts of Yugoslavia. It is insulting to say that this is an awakening—it is a demand for a normal position. After all, when the same thing becomes dangerous when someone says it in Belgrade. This is clearly evident from the example of the rallies: the rallies for Jansa which are against the legal system and the rallies of Serbs and Montenegrins for legislation to be adopted in Kosovo.

STUDENT: The word "nationalism" is used in interesting ways in defining what is happening in Serbia.

Pesic: It is quite interesting that in our country we talk in complicated ways and have a hard time understanding each other. When we say nationalism, fantastically different meanings may be in the speaker's mind. From the most negative to the most positive thing. The answers to a questionnaire containing this question would distinguish people by nationality and by age group, and then the politicians differ totally in explaining this word. If you ask me, then what I give you is my individual view of what nationalism is. One person may wrongly interpret it, another might agree with me, and still another would not understand it at all.

It is not just a question of this word. In general, the postwar period of the revolution carried out in Yugoslavia has confused a great many things, including the area of vocabulary. What is normal today seemed negative at certain points. The words businessman, merchant, craftsman, and tradesman had negative connotations. Today, we talk about small business. This is not small business at all, but a craft or trade or small enterprise, etc. The concepts in expressions have been confused.

I am now speaking as an architect, a citizen, a Belgrader, and a Serb, and I feel that one cannot talk about nationalism without some historical background. Nationalism cannot be spoken about in the same way by a Serb whose ancestors fought in the last four wars defending their country (at enormous sacrifice, but Serbia was victorious in every war and was independent) and a Slovene who was not in those wars except for the last. The last war, which was declared by fascism, was not declared against Yugoslavia, but against Serbia. The Serbs were in the war, and they were in the concentration camps, but all the others could declare themselves to be inhabitants of something that was not at war with Germany. Whereas Croatia had its own state, in Belgrade we were under strict occupation. There is an injustice which previously people did not dare to talk about: after the war all the Belgrade university students were checked out, and if there was any suspicion at all that he did anything because he was poor or young in order to remain alive and not go to fight with the Partisans, no matter for whom he did it, not just directly for the Germans, but for any power which existed during the war, he was punished at the university (by the authorities) by having certain examinations taken away or even by not being allowed to continue his university studies. In Croatia, which was fascist, all diplomas were recognized. At the end of the war, the Serbs, with a sentiment of pronounced Yugoslavism, passed over that entire situation without making an issue, and now 40 some years later, the Serbs are said to be nationalists. As soon as Serbia for the first time clearly and loudly demands equality with the other republics in its rights and duties, it is proclaimed to be nationalist and there is a pogrom of words, insults, and unlikely situations throughout almost all Yugoslavia—which is terrible and in essence is nationalism. I say that today we have an extreme and pronounced nationalism in Slovenia and in Kosovo. In the other communities, there is a fair amount of "wavering," but those who are not Serbs have a great deal of antipathy toward the present government in Serbia and its citizens.

The Demand for Natural Rights

STUDENT: How would you respond to those who categorize Serbia's present demands as nationalism?

Pesic: It is not nationalism at all, it is just the demand for ordinary rights—just as a worker demands the right to live from his work or just as a student demands the opportunity to get employment when he finishes the university. Those are natural rights.

What was notable in the rallies and other public expressions of this community (including those from the Saint Sava Temple) is that the Serbian people have an exceptional sense of Yugoslavism.

And only an anti-Yugoslav can be a nationalist!

STUDENT: How would you respond to those who oppose the rallies for solidarity with the Serbs and Montenegrins in Kosovo?

Pesic: Since I am an engineer, I like what is practical. There is no point in answering them, they would not understand anything. It would be best for them to hold a rally that would be against these rallies. I say that no one would come. There is no one behind those who point their fingers. There are only small groups in power, and segments of the public information system (the events that occurred in Vojvodina are an example).

Reflections on Culture

STUDENT: How does the overall situation affect culture?

Pesic: Culture has always been an orphan in our system. There has never been any nurturing of culture, and there won't be until a new constitution is drafted, and in general until there is a Yugoslavia to the measures of Yugoslavs—just as in architecture there is the motto that every building should be to the measure of man.

STUDENT: Tell us something about the situation in architecture.

Pesic: Architecture has always been the product of the overall situation. I built the "Beogradjanka" in a time which in political terms was called anarcholiberalism and I can frankly say that this was the period of the greatest flowering in our country among all the postwar periods. Anarcholiberalism was the best time in the economic sense: we had a debt of only about 5 or 6 billion, which was negligible, and then there were all the goods you could want, both domestic and foreign, people did not have to smuggle and engage in other ugly things which today they have to delve in, unemployment was relatively supportable. This was before the new 1974 Constitution (that is when the "Beogradjanka" was completed). In contact with Branko Pesic, I happened to learn that there was an order from the LCY Central Committee, which was run by Kardelj, that all Belgrade enterprise directors, about 90 of them, had to be eliminated. This was spiteful, since at that time Serbia was showing its economic power. At that point, with that elimination, the slide began, the entire economic system fell apart, and that also had an impact on architecture.

It was in one flowering that I built the "Beogradjanka," and, as I see it, in another flowering I am now the builder of the Saint Sava Temple.

STUDENT: The events surrounding continuation of the temple's construction say a lot about changes in society since the war.

Pesic: Yes. The idea of building the temple is 100 years old, but for a long time resumption of the job that was begun was prohibited. As many Catholic churches as you like could have been built and mosques all over Yugoslavia; however, as far as Serbian churches are concerned, permission was granted only for reconstruction of some of them, and that was not easy. We know that 50 percent of the Serbian churches were destroyed. The permit to resume construction of the temple was issued only in 1984. Since about 1950, the patriarch has literally begged for continuation of construction every year and on every occasion, but it was not allowed. Which means that it was not only "complicated" to say that you are a Serb, but the spiritual creativity of a nationality was not allowed either.

The year 1984 was a time when many circumstances came together—you count up how many circumstances there were. Now it is the same combination of circumstances that has brought forth this splendid Milosevic. A combination of circumstances of historical dimensions always helps one's nationality, bringing forth the sounder, more intelligent, and better people to hold their own and create an opportunity for the future.

STUDENT: Public opinion is divided about building the temple. What is your view of this?

Pesic: It is striking that I have the impression that no one is against it. If there is some small percentage against, it does not even dare to say so. When there are no threats from the police, which means on moral grounds, they are ashamed to be against it, but underneath they are against it for certain reasons of their own.

STUDENT: Quite a few people criticize it by saying that the temple occupies an immense area and will not be used in proportion to its size.

Pesic: First, the temple is not immense. Second, it is being paid for by people's donations, and when it is completed, it will not have a single dinar of debt. It will be the only investment project of the Serbian Orthodox Church, as the heir to people's donations, which will make it possible to rebuild churches and other cultural and historical monuments. The temple will shine forth in this area. Up to now, Belgrade has been the only city in Europe which did not have its cathedral.

Belgrade will have immense benefit from the temple. I calculate about 2 million visitors as an annual average (even more at first), and so far there have been about 500,000 of them. This will have exceptional importance to the Belgrade economy. The temple cannot be a failure in any segment. Its cost is \$15 million, and there is not a single enterprise which has not had far larger debts and failures. It is an economically positive investment

project and a spiritual investment to boot. People have come to me from all parts of the world, and they have all been amazed that a people in this difficult economic situation, while fighting for their rights, have had the strength to make donations for a spiritual creation. In the world of culture, it is thought that this people is extremely mature. And contributions are constantly coming in—not only from Serbs. The Belgrade-Karlovac Eparchy is contributing by far the most, but the contribution from abroad is stable, and we take advantage of skill in placing the money. At present, we have no reason to doubt that we will complete the temple in 1992.

A Church Is Not a Business Organization

STUDENT: It is well-known that the Serbian monasteries are in extremely poor condition. Why is that so, and why is nothing being undertaken to correct that situation?

Pesic: Among the other stupidities, I would say, which the new system has made, something was committed that was not only a stupidity, but also a terrible injustice: confiscation of church properties. The monasteries were supported by those estates, and their confiscation put an end to that. So as to provide some kind of a solution, the so-called bureaus for protection of monuments were formed, and they took responsibility for restoring the monasteries. What is happening now is that we have a pronounced stupidity: we have created an immense administration throughout the country which is concerned, but has no money, and when it gets money, it passes through a complicated bureaucratic procedure, and little is left for the thing itself. And, to make it still more terrible, their work has been done under very difficult weather conditions. With respect to the structures that are close to ruin or some kind of damage, there must be an immediate reaction or they could be ruined, which we have already seen in Vojvodina—where after the war no one took this into account. In Macedonia and in Kosovo, the situation is disastrous. Care was taken only in Serbia proper, although not as much as was needed.

The estates, which anyway have not been sufficiently utilized, should be returned to the monasteries. The church is not a business organization that earns money and lives in luxury—the nuns have no salaries, their entire life is spiritual, maintaining those churches which in future we are proud of. So, everything should be returned to the monasteries, and the government should have an institution of highly qualified experts: art historians and architects, who would do this without pay, not as staff officials, but on an ad hoc basis. To give advice and to be the right arm of the Serbian Orthodox Church in maintaining those monasteries, since the monasteries and churches do not have experts.

The 21st Century Is the Century of the Serb

STUDENT: Looking at the overall situation in Serbia, are you an optimist?

Pesic: The new Serbian leadership offers good chances. At the moment, Serbia has no reason for pessimism. There is a way out of the situation. The 21st century belongs to us in the sense of contributions to the Balkans to the benefit of everyone. Just so once again no one proclaims this to be anarcholiberalism!!!

Origins of Alpine-Adriatic Regional Association Explored

28000094 Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian 19 Mar 89 pp 6-10

[Article by Petar Dzadzic: "The Alpine-Adriatic From Churchill to the Present Day"; first two paragraphs are NEDELJNE INFORMATIVNE NOVINE introduction]

[Text] The idea of some new Catholic Danube Federation dates back (at least) to the time of Churchill. Last year, the Alpine-Adriatic celebrated the 10th anniversary of its existence in the presence of high political figures from five central European countries. This week, a plenary meeting of the Culture Commission of the Alpine-Adriatic Association was held in Nova Gorica and went so far as to debate at length the cooperation of universities, people in the theater, museologists, archivists, and indeed even musical orchestras of the "future state."

What is hidden behind all of these central European orchestras and Alpine "museologists" who are composing some kind of political 12-tone music whose noise drives the public from the concert hall? NIN [NEDELJNE INFORMATIVNE NOVINE] attempts in this issue to identify the historical Alpine-Adriatic vertical established with Churchill and now being reinforced in the Cankar Center.

At first glance, the group of countries belonging to the Alpine-Adriatic Working Community, which at the end of last year celebrated its 10th anniversary in the presence and with the participation of high political figures from "five central European states," seems like a new economic, ecological, and culturological association which, premised on geographic definitional characteristics (the Alps and the Adriatic), is striving for a specific integration without doing away with national borders. The Alpine-Adriatic Working Community embraces the Republic of Croatia, the Republic of Slovenia, several regions of Italy (all of northern Italy), Austria, Hungary, and a portion of the Federal Republic of Germany, i.e., Bavaria, which has the largest population of the members of this association (10,959,000).

Last summer in Millstatt, just as in late 1988 in Venice, the community was given the highest official political legitimacy and, as the commentators emphasize, became a "strong organization covering an area greater than the Federal Republic of Germany" ("Ten Years Later," VJESNIK, 23 November 1988). This, as it was said, "experimental laboratory for integrative processes in Europe," which "covers 267,389 km² in the heart of

Europe," on which "there is a population of more than 37 million people," embraces countries from both blocs as well as 2 socialist republics of nonaligned Yugoslavia. Aside from the geographic principle of integration (which cannot be said to have been carried out consistently), there is another integrative factor on which less emphasis is put: these are countries of Catholic religion. Accordingly, meetings of Catholic intellectuals from the Alpine-Adriatic countries are also being held. It is self-evident, and it is also stressed, that the degree of success of cooperation will determine the possibility of deeper integrative processes which could relativize the concept of national borders to a greater or lesser extent. It might be said that models based on the realities of present-day postindustrial society, such as the multinational companies, for example (in another sense), offer the pattern for that cooperation.

However, even a cursory examination of the ideas of political history that were current between the wars and during and after World War II reveals to us a preliminary geopolitical and markedly ideological version of the Alpine-Adriatic scheme.

Winston Churchill, one of the three leading figures of the allied coalition against Hitler in World War II, was the most influential advocate of that geopolitical idea beginning at the end of World War I. Regardless of the decisions which he accepted or was forced to accept as a consequence of the unexpected development of events or under the influence of other members of the allied coalition in World War II, for decades Churchill dreamed his dream about creating a present-day substitute for the fallen Hapsburg Monarchy and of separating the Balkan, "Asiatic" southeast from this Catholic central European creation. The Alpine-Adriatic member countries, so different in many respects and primarily in their political systems, are largely those same countries which Churchill wanted to see in his Catholic "Danube Federation," actually the revitalized Austro-Hungarian Monarchy.

In the first pages of his memoirs, "The Second World War," which even brought him the Nobel Prize for literature, Churchill speaks about the fatal errors of the victors in World War I. He felt that two of those errors made new bloodshed in Europe inevitable. The first was committed by imposing high reparations on the defeated nation, which brought the German economy to collapse and cast the German people into misery.

Churchill describes the second error this way: "The second great tragic mistake was made when the Saint-Germain and Trianon treaties destroyed the Austro-Hungarian Empire. For centuries, this living embodiment of the Holy Roman Empire offered a life together and guaranteed trade and security to a large number of nations.... All of these peoples wanted to get away from the federal or imperial system, and advocacy of their desires signified belief in a liberal policy. Balkanization of southeastern Europe continued by leaps and

bounds.... There was not a single people or region which had been part of the Hapsburg Empire whom independence did not bring torture such as the old poets and theologians reserved for the damned. The noble capital of Vienna, the home of a culture and tradition so long nurtured, crossroads of so many highways, rivers, and railroad lines, was left tortured and hungry, like a large commercial center of some impoverished king which its inhabitants have largely abandoned..." (W. Churchill, "Bura" [The Gathering Storm], "Drugi Svetski Rat" [The Second World War], in six volumes, Vol 1, pp 9-10, Belgrade, 1965).

The 'Danube Bloc'

We should not be amazed at Churchill's literary picture of an impoverished and abandoned city "on the beautiful blue Danube." Although it is most likely that he did not even go to Vienna at that time, Churchill tried to portray it in a picture of degradation that is in line with his basic idea of Balkanization as the destructive wave dirtying and devastating the region of European civilization.

Churchill also speaks in his memoirs, of course, about the idea of restoring the Hapsburg Monarchy, but cautiously and with restraint, since it would not have been exactly advisable to defend the idea of partitioning Yugoslavia, a country which had sacrificed so much for the allied cause, either to the allies or the world public. Churchill left aggressive action to achieve this idea to his quiet manipulations behind the scenes and to his shrewd political scheming, which had a very great impact on the destiny of the Balkan peoples. Throwing caution to the wind, Churchill was also able to clearly and unambiguously emphasize the need to create "a Danube Federation centered in Vienna, which would in some way fill the vacuum caused by disappearance of the Austro-Hungarian Empire. Bavaria might join that group. Then there would also have to be a Balkan Federation" (Prekretnica sudbine" [The Hinge of Fate], Vol 4, pp 743-744).

Churchill presents these ideas of a "Danube Federation" on various occasions both during World War II and also immediately after it. In one of his memorandums "on postwar security," which dates to just before the war ended, he speaks about a "Scandinavian bloc, a Danube bloc, and a Balkan bloc" created "among the smaller states," not caring a whit for the opinion of those smaller states, not even those that had fought actively against the common enemy, Hitler, that were in all three of the future "blocs" ("Prekretnica sudbine," Vol 4, p 659).

In another passage in the same book (p 845), he says: "I am very interested in Austria, and I hope that Vienna can become the capital of a large Danube Confederation."

At the famous Tehran Conference in 1943, Churchill presented to Roosevelt and Stalin his position on the "Danube Federation," feeling that Austria and Bavaria should constitute the backbone. When Stalin asked what he would do with Hungary, Churchill answered that he would rather see it as well in the borders of this federation ("Obruc se steze" [Closing the Ring], Vol 5, pp 381-382).

In that same volume (pp 386-387), Churchill also says: "I felt that it would be possible...to create what in essence the Austro-Hungarian Empire was, of which it has been rightly said 'that if it did not exist, it would have had to be invented.'"

Churchill held that that would be the right solution for Europe. However, he said, confronting postwar reality, which had broken away from his reins, "harsh reality has imposed immense and disastrous changes on us." But Churchill did not give up hope. As to the order in Europe that was established after 1945, which lacked Austro-Hungary among other things, Churchill prophesied that "it could not last." We have yet to see whether he was wrong.

Support for Otto Hapsburg

In April 1945, the English prime minister wrote to Eden, his foreign minister: "Before this war, the pressure of the Americans and the modern era would never have caused us to drive the Hapsburgs out of Austria and Hungary and the Hohenzollerns out of Germany!" ("Trijumf i tragedija" [Triumph and Tragedy], Vol 6, p 66).

In another letter, dated 26 April 1945, Churchill says that his government would not oppose the initiatives of Otto Hapsburg to restore Austro-Hungary, nor would it consider harmful the loyalty of members of the old empire to that empire. If it is a "constitutional monarchy by the will of the people, then let it be. As far as I am concerned, since I have lived during all these European upheavals and have been carefully studying their causes, I am of the opinion that the allies at the peace table in Versailles thought that overthrowing the old dynasties was a form of progress, yet had they allowed a Hohenzollern, a Wittelsbach, and a Hapsburg to return to their thrones, there never would have been a Hitler" ("Trijumf i tragedija," Vol 6, p 668).

In the memoirs section of his book "Jugoslavija—bila je osudjena na smrt" [Yugoslavia Was Condemned to Death], Sava Kosanovic has written both relevantly and polemically about Churchill's obsessive idea and cleverly concealed, but constant, efforts behind the scenes to restore the Austro-Hungarian state at Yugoslavia's expense on the one hand and turn a Balkan ghetto into the blind alley of Europe on the other. The reference is to Churchill's condemnation of Yugoslavia to death in the context which I have already presented, for which Kosanovic offers a multitude of little-known or unknown data. The author specifically examines the

content of the meeting between Churchill and Stalin in October 1944 in Moscow, when Churchill tried on the basis of a prior agreement on division of spheres of interest in Yugoslavia to win over his ally in the Kremlin to the idea of the "Danube Federation." Cordell Hull, who was U.S. secretary of state at that time, has to some extent revealed in his memoirs the content of that meeting, which still is not completely defined.

We should emphasize that Sava Kosanovic is very well informed; before the war he was a liberal and opposition politician, the member of our government in exile in London, then the minister for information in the new Yugoslavia, ambassador to the United States, member of the federal government of Yugoslavia, and a member of the Federal Executive Council. According to Kosanovic, in agreement with Stalin Churchill was striving to "secure the western, *Adriatic, and Alpine* (emphasis supplied by P.Dz.) part of Yugoslavia for the Danube Federation" (which puts us on the trail of the "genesis" of the very "Alpine-Adriatic" in the name).

"The policy which Churchill was conducting toward Yugoslavia in World War II," Kosanovic says, "was from the outset consistent in keeping with that line, i.e., that division as formulated in his agreement with Stalin. This could explain many superficial contradictions, omissions, and incomprehensible actions which occurred in London in connection with the government in exile, Mihailovic, and the National Liberation Movement, Subasic, and with the Yugoslav question in general" ("Jugoslavija—bila je osudjena na smrt," p 133). In his activity toward Yugoslavia, Churchill gave the appearance of trying to preserve the country's integrity either as a monarchy or as a republic under Tito's leadership, but behind that appearance we discover a secret and obsessive activity in another direction, the aspiration to divide Yugoslavia into the Catholic and actively European part and the part that is Orthodox, Balkan-Asiatic, and finally outside Europe.

The Memoirs of the Sons

Another, also rather covert, but persistently pursued activity of Winston Churchill as a military strategist was aimed at the same objective. In World War II, he was an advocate of an allied strike against Germany through the Balkans ("Istria, Trieste, that is Europe's armpit," Churchill said in Naples in 1944), not from the Atlantic side, through France. There are quite a few statements to the effect that he hindered the opening of the Second Front in the west out of a desire for this other front in the Balkans. This has been asserted in their memoirs by sons of both Churchill and Roosevelt, and even Dwight Eisenhower, himself, commander in chief of the allied Second Front, who ironically noted that Churchill was almost unable to concentrate on the "immediate military problem," since "his first concern" was the "future of the Balkans."

And when the Balkans was dropped as the direction for the allied strike, above all because of the fierce resistance of Franklin Roosevelt, when the allied armies in their slow progress through Italy finally broke through to the "central European plateau," Churchill was very angry that they turned leftward toward France and not rightward toward Ljubljana and Pest. Yet there were good prospects. "As an alternative, I was more attracted to a rightward thrust from northern Italy across the Istrian Peninsula and Ljubljana Depression in the direction of Vienna. I was enthusiastic when the President (Roosevelt—P.Dz.) proposed this latter possibility, and I tried, as shall be seen, to draw him into it" ("Obruc se steze," Vol 5, p 326). Nevertheless, Roosevelt was not "drawn in." "I cannot consent to having American troops," Roosevelt said to him almost brusquely, "used against Istria and the Balkans, nor do I see that the French would consent to such use of French troops.... For purely political reasons on this side, I would not survive even a small failure of Overlord if it were learned that fairly large forces had been diverted to the Balkans" ("Trijumf i tragedija," Vol 6, pp 59-60). Even when the military action was dying down, Churchill was waiting for his chance. Among other things, he was hoping that the Serbs, dissatisfied with the Croatian alliance between Tito and Subasic (according to Kosanovic, Churchill brought Subasic to the head of the emigre government in order to irritate the Serbs, personally recommending to him that he not bring a single Serbian politician into the government!), would cause interference that would make it possible for him, Churchill, to go into the Catholic part of Yugoslavia and finally annex it to the "Danube Federation" with English and Polish (Anders') troops, which were concentrated in northern Italy.

The Role of the Vatican

Churchill was, of course, not at all alone in his efforts to revive the Hapsburg state. This activity was developed during the war and also later by the legitimate heir to the imperial throne himself, Otto Hapsburg, who in March 1940 settled in the United States (with the title of Imperial Majesty). There is no war which does not do away with old borders and establish new ones, and Otto in fact counted on that. He developed a considerable activity in which he was especially aided by Catholic Cardinal Spellman of New York. Otto had his arguments, among which we take note of this one: "Those who were the best soldiers in defense of the Hapsburg throne down through 600 years, the Croats and Slovenes, did not want to fight for Yugoslavia" ("Jugoslavija—bila je osudjena na smrt," p 167).

In November 1942, Otto organized the Austrian Battalion to fight Hitler and sent many letters to those who had come from the former empire or to their descendants, that they rally under the old black-yellow battle standard and fight for the "new" ideals. Kosanovic then wrote against Otto and his ideas in THE NEW YORK TIMES. At the same time, he received a message from the well-known Italian politician Count Sforza which said

that the Hapsburg danger was serious, indeed more so for Yugoslavs than for Italians, and that he, Sforza, had opposed it: "I took the part of a Yugoslav."

Kosanovic comments on these words of Sforza with the following comment: "I think that this position toward restoration of the Hapsburgs was one of the main reasons why Churchill hated Sforza." Sforza called the Hapsburgs "our common enemies," thinking of the Italians and the Yugoslavs.

Cardinal Spellman of New York, the Catholic we mentioned, visited the Vatican in 1943 and held talks on creation of a new Catholic state in Europe with Archduke Otto as emperor. This campaign was supposed to rehabilitate the Vatican after its accommodating policy toward Hitler and Mussolini, and also to save the Quisling formations of Tiso in Slovakia, Horthy in Hungary, and Pavelic in the Independent State of Croatia. It is worth mentioning that Spellman also met Pavelic's emissary in the Vatican, although the Independent State of Croatia was at war with the United States, which Pavelic had declared!

Kosanovic insists that Churchill's "Balkan Federation" might have included "Bulgaria, Albania, perhaps Montenegro and something like Nedic's Serbia" ("Jugoslavija—bila je osudjena na smrt," p 135). What cynicism! The Serbia that had led the whole country of Yugoslavia into the defense of the Allied cause and the cause of England (then desperate and isolated), the Serbia whose reward for its faithfulness to England and democratic principles was a blitz attack from an enraged Hitler, this Serbia was now supposed to shrink within the borders of Nedic's Serbia, that is, within the borders fixed by Hitler for the people he wished to exterminate!

Churchill held Serbia responsible for destroying the jewel of his dreams, the Hapsburg Monarchy. In the two volumes of Churchill's memoirs from World War I, we also find reflections on the Serbian pestilence. This country of rebellious Orthodoxists had driven one empire (Turkey) from the Balkans, and had shaken forever the foundations of another, Austro-Hungary.

Disgust With Serbia

It was out of disgust that Churchill called Serbia the instigator of World War I. He equated in every way the "loathsome murder" of King Alexander in 1934 with the assassination attempt of the Young Bosnians on Ferdinand: "Just as in Sarajevo in 1914, there was a band of murderers ready to lay down their lives."

In the future, Serbia could have emerged as the striking fist of Balkan identity and enlightenment. That is why a special regime should be prepared for it. What kind? According to Kosanovic, Churchill's secret plan for Serbia was as follows in basic outline: "Serbia, even if it had independent status on paper, would be pinched between Soviet Great Bulgaria (even Bulgaria, then, is

not certain as a member of the Balkan Federation—P.Dz.), the Catholic Danube Federation, Greece, and Turkey, all connected in their hostile position toward it, and it would be territorially castrated on all sides. And when Churchill speaks of some possible Balkan Federation in addition to the Danube Federation, then it is only this that he is thinking of, a federation that would be controlled from the west by the Hapsburgs and from the south by hostile Greece—100 percent under English domination—and Turkey” (“Jugoslavija—bila je osudjena na smrt,” p 135). Hitler’s plan of punishment for Serbia as revenge for having valorously (but also suicidally) rejected his offered hand on 27 March 1941, was not much more cruel.

I would like to emphasize that in this article I am not questioning the possible usefulness, be it economic, ecological, or otherwise, of the Alpine-Adriatic Working Community. What may be debatable, at least from my point of view, is the refusal to place the idea of the Alpine-Adriatic Association in the context of the geopolitical ideas which preceded it and in which it certainly fits. Perhaps it is not really so simple to acknowledge something like that, but that is no longer my problem. In any case, the delicacy of the issues being raised has been pointed up by the prestigious, but objective English *ECONOMIST*, which writes about the “more lively interest in creating a new central European structure of which the Alpine-Adriatic organization might be the predecessor.... Members of the Alpine-Adriatic Association have to act discretely. They must take care not to insult their national governments nor to give observers the impression that a revival of the old Hapsburg Empire is in the works.”

Smederevo Metallurgical Combine Termed Certain Loser

28000093 Belgrade MLADOST in Serbo-Croatian
27 Feb 89 pp 18-19

[Article by Filip Mladenovic: “How They Temper(ed) the Serbian Steel. Politico-Economic Nonsense”; first paragraph is MLADOST introduction]

[Text] DUGA, NIN, and the weekly BORBA rejected the text that follows without any explanation. Find out why!

The shadows cast by the constitutional, social, ethnic—in a word, systemic—turmoil in the Serbian SR [Socialist Republic] and elsewhere (the slogan of which is “Stable Serbia—Strong Yugoslavia”) concealed an important event, an event that is quite disturbing, not only in itself but also because of the scant attention actually paid to it by the Yugoslav public. This was the recent action taken by the Assembly of the Serbian SR on 27-28 December 1988 in discussing and adopting the “Initial Principles for Amending and Supplementing the Program for Improving the Operations and Consolidating the Development of the Smederevo Metallurgical Combine for the 1987-90 Period and the Principles for Operation and

Development for the Post-1990 Period,” with the appropriate findings and conclusions. What this clumsy, typically bureaucratic formulation hides in reality is support for further subsidies to the Smederevo steel nonsense, whose own experts acknowledge that it cannot operate without losses before 1994. Giving a green light to such a typically mistaken investment, the symbol of an absurd concept of the national economy, while simultaneously trumpeting in the mass media the arguments for economic reform, as exemplified by the affirmation of markets and economic laws, can be viewed only as pure demagoguery. Because the way in which the Smederevo steelworks, that toughest myth from the Bolshevik vision of industrialization (the price of which successful enterprises and citizens throughout Serbia will have to pay), has been built, financed, and is stubbornly being kept alive is a textbook example of ignorance and incompetence. But let us start at the beginning.

Arsenal of Stupidity

From the very moment when the decision to construct the new Smederevo steelworks was introduced way back in 1962 though the Serbian SR Assembly’s recent “amen” to a new round of financial packages—to which no end is now in sight—we have been presented with a rich repertoire of Socialist Realism blunders and arbitrary decisions. Almost everything built through 1986 was paid for with foreign loans—and largely convertible ones—on very unfavorable terms (repayment in less than 10 years, interest rates ranging from 2 to 17 percent), while the amount of domestic capital, in the form of loans or compulsory associated funds, barely exceeded 10 percent. Imagine a steelworks—and one still not completed (the final completion of production is not expected until after 1990—if there is money)—no less than 85 percent of which was paid for with foreign loans! When a halt was called, total foreign loans amounted to over U.S. \$1 billion on 30 September 1987, plus 367 million clearing dollars. As for domestic loans, they amounted to around 20 trillion old dinars on that date.

The Smederevo steelworks’ massive indebtedness is due not only to the fact that it was built on credit but also to its permanent operating losses. In other words, for its entire history it has operated below the point of simply meeting its costs, i.e. without accumulation, and the steelworks’ own funds are simply its amortization funds. These were used to partially finance capital construction, repay debts, and cover losses; the bottom line of this was losses in substance. The greater portion of these losses were covered by the Serbian economy, from which money was extracted and is still being extracted with the aid of the so-called Mandatory Association Act, Revenue Tax Act, and other bureaucratic pearls with an odor of volunteerism.

Even gloomier conclusions result if one compares the Smederevo Metallurgical Combine [MKS] with similar projects in the iron and steel industry in the rest of the

world. The cheapest new integrated steelworks are constructed in Japan. Even 13 years ago, investment in integrated steelworks with a capacity of 6.6 million tons a year was \$540 per ton of steel, with construction completed in 4 years. The lowest cost for constructing integrated steelworks in the United States in the same period was \$800 per ton of steel. In developing countries, however, this figure reaches \$3,000-4,000 per ton of finished steel. In the Smederevo variant, through the end of 1984 costs amounted to about \$2,500 per ton, calculated on investments through that date for an annual capacity of 1.3 million tons of steel. However, inasmuch as the amount of steel actually produced in that period was more than two times less, the real cost of every ton of steel "Made in Smederevo" exceeded even that in developing countries.

Balkan Specialities

In addition to the low degree of self-financing (around 6 percent, and that at the expense of amortization, which means that the facility is devouring itself), another factor making the production of steel and steel products in Smederevo uncompetitive is the failure to meet construction schedules. There is not a single major project in the Smederevo Metallurgical Combine that was not completed 2 years, 3 years, or even longer behind schedule! Thus, for example, construction began on the first blast furnace in July 1966 with completion scheduled for December 1969, but it went into operation 2 years late. The rolling mill for hot-rolled products began operation 4 years behind schedule and that for cold-rolled products 2 years. There were similar delays in the construction of the industrial railroad station and Smederevo port, through which the Smederevo facility obtains its ore from domestic sources elsewhere in Yugoslavia and from imports, since this corner of the Serbian Republic is rich in grapes, not in iron [a pun in Serbo-Croatian].

Current production at the MKS is a story of its own. Along with the already-mentioned problems, the MKS also suffers from numerous failings of a typical Balkan nature. There are very frequent unplanned stoppages as the result of inadequate maintenance. There are great fluctuations in skilled personnel for various reasons, ranging from pay through working conditions. There are also weaknesses in production planning and preparation, as well as in carrying out annual, current, and preventive maintenance. All this inevitably lowers the quality of production. In part, the fault for this lies with the inadequately trained staff. In addition, there is a constant shortage of trained staff to handle measuring/control and process technology. According to analyses from the end of 1987, over 30 percent of the staff was performing jobs and tasks for which they did not have adequate training from regular schools. For many years the MKS invested primarily in material resources, while personnel and personnel planning and development in particular were given less attention. The result is that neither the size nor the structure of the current staff is

satisfactory. It is no wonder then that the most modern steelworks in the world require 5-6 man-hours to produce 1 ton of steel, while in the MKS the figure is no less than 6-7 times that.

Bank Acrobatics

Foreign and domestic long-term loans were used for capital construction, with a very small percentage used to finance current production. Since the MKS's poor operating results make it impossible for it to accumulate its own funds for this purpose, current production and liquidity are covered by taking out short-term bank loans. At the same time, liquidity is significantly affected by the size and structure of stocks. Turnover is low, just 1.7. Unreasonably high stocks of raw materials and other production materials and finished products do much to freeze the MKS's giro accounts and create a state of total illiquidity. For that reason the MKS is late in paying its debts to suppliers and creditors, which always has been and always will be the worst advertisement for a business.

To top it all off—and in flat contradiction not only to business logic but also to common sense—there is the Smederevo enterprise's relationship with its banks and vice versa. In 1987 the MKS turned to a number of banks in the Serbian SR with the request that it be permitted to postpone payments on loans and not be charged interest for the period from 1986 to 1990. Naturally, the majority of banks refused to continue throwing money into the bottomless pit, or simply did not reply. However, believe it or not, seven banks agreed to this—absurd, to put it mildly—request. Well in the lead among these was Belgrade's Investbanka. You do not need to be a genius to conclude that this is a classic example of the political pressure exerted on banks by guess-who and which threatens not only the banking principles of sound management and profitability but also the personal and public prosperity of every citizen of the Serbian SR.

To this series of absurd events, which strikingly illustrate the mechanism by which politics dominates the economy, we must also add that famous Mandatory Association Act. This is a unique bureaucratic masquerade for the most ordinary sort of tax, which the economy of the entire republic pays and will continue to pay for who-knows-how-long for that fallen giant of iron on the banks of the Danube. To make things even more ironic, the monies collected under the terms of this law always come in late, so that this too forces the MKS to take out short-term loans from banks on every side. Now here are the banking and accounting acrobatics by which the losses for 1987 were covered: First of all, modifying a certain coefficient in Article 130 of the Total Revenue Act reduced losses by over half. Next, claims amounting to one third of those "amended" losses were written off. The greater part of this sum was borne by the economy of the Serbian SR and the lesser part by Investbanka and business partners. Thus, once again the victims were

successful enterprises, the citizens of the entire republic. The remaining two thirds of the "hocus-pocus" losses were covered by a financial recovery loan under the terms of the aforementioned Mandatory Association Act. In other words, another gift.

The Farce Continues

On the threshold of economic reform, when besides the Enterprises Act, the SFRY Assembly has already passed the Financial Operations Act and the Banks Act, which provide for far tougher, i.e. market-oriented treatment of loss-making and illiquid banks, the Serbian Assembly's decisions on the Smederevo steelworks simply sound incredible. All the more so since in frequent public appearances Assembly President Dr Borisav Jovic has emphasized the Serbian leadership's determination to totally respect the laws of economics. In other words, to consistently respect the rules of the market in economic policy. How are we to reconcile this publicly expressed pledge from the first man of the Serbian Assembly with that same institution's decisions, which are antireform par excellence? Among other things, the Assembly of the

Serbian SR is asking its Executive Council to propose amendments and supplements to the Mandatory Association Act to help the MKS out by making the 1988 Supplementary Step apply in 1989 and 1990 without any nominal limits! And by eliminating the nominal limits for associated funds from the Supplementary Step for 1988! And there is a request to allow the MKS to make temporary use of 10 percent of all funds deposited with the National Bank of Serbia by social-political communities under the terms of the—you've already guessed—Mandatory Association Act!

Thus the motto "Stable Serbia—Strong Yugoslavia" is historically justified only if it is just another way of expressing the old proverb, "Clean accounts—long friendship"! Otherwise, it just illustrates the continuity in the unsuccessful economic policy of the Serbian SR and elsewhere, the main cause of all our political, social, and ethnic problems, which are carefully covered up by demagogic tactics. For our posterity there is no more convincing proof of that stunning conclusion than the Smederevo steelworks—our economic Kosovo.

YUGOSLAVIA

Proposal for Alternative Form of Military Service Discussed

28000101 Zagreb VJESNIK in Serbo-Croatian
9 Apr 89 p 7

[Article by Mladen Paver: "Soldiers Without Weapons"]

[Text] "The army should create soldiers, not saints." This statement was heard 3 years ago in the discussion that flared up in Yugoslavia around the question of what society's attitude should be toward citizens who for religious reasons refuse to bear arms and perform military service.

Not to create saints meant not to create martyrs in the name of religious belief, as in the paradigmatic case of Ivan Cecek recorded in Yugoslav jurisprudence. This carpenter of Maribor, a member of the Jehovah's Witnesses sect, was tried 3 times (in 1979, 1983, and 1986) and convicted for repeated criminal acts, refusals to perform military service in the JNA [Yugoslav People's Army]. He was kept in prison for slightly more than 7 years.

Last Wednesday a report from the Federal Executive Council presaged the possibility of abolition of this legal practice in our country. The National Defense Committee of this body of government approved amendments which, after the decision of the Presidency of SFRY on 15 February and the recommendations made by the SSNO [Federal National Defense Council], modified and supplemented the current law on compulsory military service. Consequently, young men who for religious reasons refuse to bear arms would perform their military service in the JNA in another manner. Their service would last 24 months, while other young men now have the obligation of serving 12 months.

A similar solution to the problem might have been found more rapidly and with fewer dilemmas had this "package" often not also have involved the requirement of so-called civilian performance of military service raised at the SSO Congress of Slovenia in Krsko in 1986. This is something different from military service without bearing arms for the relatively few Jehovah's Witnesses, Nazarenes, and Seventh Day Adventists. Official data indicate that over a period of 15 years 152 persons have been convicted of refusing to bear arms in the JNA because of religious beliefs.

Loud reservations have been expressed about alternative forms of military service such as exist in many European countries, from the first time the idea was advanced to the present. "Acknowledgment of so-called conscientious objection has the long-term goal of creating the possibility of avoiding performance of military service in our country for reasons having nothing to do with religion, legally, with no punishment, and with no consequences whatsoever." This was the pronouncement of

some commentators, who fear that this might even disrupt the ethnic structure of the JNA. (In one Slovene survey, 44.9 percent of those polled favored civilian performance of military service.) The increasing demands in Slovenia for the creation of ethnically uniform JNA units, for territorialization of the Army, have done nothing to diminish doubts in any speculation about the the concept of "civilian service."

And Other Countries

The National Defense Council of the Presidency of SFRY, and subsequently the Committee of the Federal Conference of the Socialist Alliance of Working People of Yugoslavia for National Defense and Public Self-Protection, have rejected the "civilian service" measure as unacceptable and contrary to the Yugoslav Constitution and to the concepts of national defense and public self-protection. The Presidency of the Federal Committee of the Federation of Veterans' Associations of the National Liberation War has rated it as part of an attack on the JNA, while the Constitutional Court of SFRY rejected Cecek's petition—and that of other citizens of Maribor—that the laws under which he was punished be declared unconstitutional. Defense of the country is the highest duty of a citizen, and freedom of religious belief cannot exempt him from the obligation of performing military service—such was the substance of the court's argument.

It is interesting to compare Yugoslav standards and practice thus far in this area with those in other European countries. According to the TELEKS of Ljubljana, the majority of European countries allow young men to perform an alternative form of service, without bearing arms. Seven countries make an exception to this rule, countries almost at opposite extremes in their general level of development. They include not only Portugal, Turkey, and Cyprus, but also Sweden, Switzerland, Norway, and The Netherlands. The arguments for alternative military service are found mostly in the religious, humanitarian, and ethical motivations of recruits. But in all these countries, with the exception of The Netherlands, a defense commission or minister can reject a petition for performing an alternative to military service submitted by a person liable for military duty.

According to the periodical RELAZIONI RELIGIOSE, in the autumn of 1986 there were 13 Jehovah's Witnesses who had refused to perform military service doing time in a military prison in Rome, and 4 had been sentenced in the city of La Spezia. Such recruits are otherwise sent to work in civil defense, hospitals, and similar establishments, depending on their education and abilities. They remain in such service for a period 8 months longer than those performing regular military service (2 months in Austria, 3 in Sweden, and in France and Greece they remain in military logistical services 12 months longer). Interestingly, the Federal Republic of Germany is the only European country offering the

opportunity of alternative service without lengthening it. Both military personnel and "Bausoldaten" [construction soldiers] serve 18 months.

Aleksandar Tijanic observed that each year around 700 young Swiss are condemned to 4 to 6 months of imprisonment for refusing to perform military service. A 1984 referendum rejected a "civilian service" proposition.

Penalties

Maximum penalties of imprisonment of varying duration are provided in different European countries for avoiding military service. This "ceiling" in the most severe cases amounts, in Yugoslavia, to as many as 10 years, in Bulgaria up to 7 years, 6 in the USSR, and up to 4 in Greece (no data are available for Albania and Turkey). Laws also give different treatment for repeated refusal to perform military service. Yugoslavia metes out the longest prison term in Europe; it can be as many as 15 years. In 6 European countries, including Hungary and Poland, a person subject to military conscription who has served a first term may not be sent to prison again.

When in the violence of one of our verbal volleys on the subject the idea of "civilian service" was rated as reactionary, right-wing, fifth-column, and counterrevolutionary, one commentator reached for the Works of Lenin. In them he found writing dating from 1919, in the heat of the attacks by foreign intervention and internal "contras," to the effect that the Soviet of People's Commissars over which Lenin presided promulgated a decree making it possible to substitute a civilian obligation, such as work in contagious disease clinics, for performance of military obligations on the basis of religious reasons advanced by citizens.

Members of the 12th Corps of the People's Liberation Army of Yugoslavia remember the Adventists mobilized in a Vojvodina brigade at the 1944-45 Viroviticki Bridgehead. Those who did not want to take up arms were very considerably assigned to supply units. But when the Ustashi and "Circassians" broke through the rear-service front and showed that they would make no distinction between unarmed men and frontline soldiers, the Adventists did take up arms to defend their lives.

Several years ago, MLADOST also published comments on religious believers and their obligations in the Army. When the Stalinist pressure reached its peak, the chief of the General Staff of the JNA, Colonel General Koca Popovic, in 1952 signed a document directing that commanders not detail Adventists to the heaviest work on Saturday and that they be given Saturday as their day

off rather than Sunday. "In recruitment take into consideration the circumstance that Adventists who meet the requirements (who do not refuse to render the oath and to bear arms—Ed.) may be recruited as medical orderlies of companies, battalions, and regiments of combat units."

24 Months

Possibly this experience shows that the current amendments to the military service obligation law are not unprecedented and unexampled. Of course, in making our own decisions we cannot mechanically copy those made by others. Applying them without change to our conditions, to the Yugoslav multiethnic and multidenominational community, might lead to consequences which are not matters of concern in homogeneous environments.

What do we currently know about these amendments?

On the basis of the text as published by the press agency we may infer that members of denominations whose religious convictions prohibit the bearing of arms, after arriving at their military unit, will have to announce to the commander their decision regarding the mode of service (under arms or not bearing arms). The appropriate military commander will decide which unarmed military personnel must serve in the army for 24 months and will inform the municipal agency which keeps military records on citizens of this fact. Such military personnel in reserve status will receive the same treatment as those performing military service.

The amendments provide that the Federal Secretary of National Defense will issue implementing regulations dealing in greater detail with performance of military service by personnel in this category. We know that military personnel not bearing arms would be assigned to auxiliary military duties. This would not exempt them from other obligations such as wearing the uniform and carrying out formal military duties.

The amendment also provides the possibility of subsequent option. If a person whose period of service has been set at 24 months decides to take up arms while the training period (3 to 6 months) is still in progress, his service will be reduced by the appropriate commander to the length of that for other "men under arms."

The proposed amendment to the military service obligation law, which has now gone through the procedure followed by the parliamentary committee having jurisdiction, will be placed on the agenda of the Federal Council, presumably this month or in May.

HUNGARY

World Bank Conditions for Vehicle Manufacturers Opposed

25000139a Budapest FIGYELO in Hungarian
16 Feb 89 p 7

[Article by Arpad Hajnocy: "American Advice—Hungarian Response: One Extra Wheel?"]

[16 Feb p 7]

[Text] The World Bank would lend millions of dollars to help finance a structural change in Hungary's public transport vehicle manufacturing industry, still the situation of the enterprises in question is unenviable. Ikarus, one of the largest such firms, is insolvent, while the Automobile Factory of Csepel is understandably against the idea of ceasing to operate as an independent enterprise, and letting its functions be assumed by two of its largest partners, as recommended by a comprehensive American expert study on the entire Hungarian vehicle industry conducted as a prerequisite for a World Bank loan.

The World Bank insists that the credit requests submitted to it be substantiated by international expert studies. The recommendations contained in these studies are considered by many to be the most important collateral elements of World Bank credit. Others doubt that "there is anything left to say" at all in such cases. In our four-part [as published] series, starting today, we will present the advisors opinions, occasionally contrasting them with the views of those to whom the advices pertain.

Hungarian public transport vehicle manufacturing produces a greater percentage—almost one-tenth—of the country's GNP than the public transport vehicle industry of the FRG or Sweden. Neither its size, nor its make-up, however, have developed in a natural competitive situation. Within the CEMA division of labor, Hungary had been assigned the task of high-volume bus production, which is what most of the enterprises of its public transport vehicle subbranch have been subordinated to. The reason why truck and engine production had been scaled back at Szigetszentmiklos, among other things, was so that Csepel Auto could supply Ikarus with chassis.

The modern day problems of these enterprises are basically as old as the tightening of the conditions of our ruble exports. Last year, Ikarus used the 940 million forints it had received in subsidies on the approval of the State Planning Committee to remedy its concentrated share of ailments plaguing the vehicle industry. The enterprise had fulfilled its socialist export obligations, hence it was able to turn the losses it had incurred owing to domestic inflation and the devaluation of the ruble into a 2 percent overall profit (see: FIGYELO, 44/1984).

Last year's sales of the Automobile Factory of Csepel amounted to slightly more than 13 billion forints, while its convertible exports amounted to 13 million dollars. According to preliminary calculations, however, profits dropped to 130 million forints from the nearly 1 billion-forint profit level of the previous years. After closing 1987 with a 400-million forint profit, last year chassis production, which is considered to be the factory's main line, finished in the red. Of the 13,200 chassis it had produced the enterprise delivered 11,700 to Ikarus. These floor chassis, incidentally, are not counted as products of trade, as other than Ikarus there is no buyer for them.

Looking only at the volume, the sales structure appears somewhat deceiving. For although spare part and component sales amount to 17 percent of the total, behind this number lies a 30 percent—in other words, proportionately higher—added value, a 34 percent profit and a productive work force of 57 percent.

The other side of the auto factory's balance of performance is that one-third of its procurement—particularly those of engines and running gear—is supplied by Raba.

The ratio of Csepel Auto's actual market relations, compared with its overall activity, therefore, is insignificant. Hence it is not surprising that its marketing costs amounted to merely 1.7 percent of its total expenditures, and that even less, 1.4 percent, was expended for research and development purposes (1987 data). This was due primarily to the limited and damped effect the pressures of the market had on the enterprise. Undoubtedly, this dependence on Ikarus, and to a lesser extent on Raba, must have been a rather comfortable position to be in for some time; however, during the past couple of years, the situation has changed drastically. It was in this new situation that the Boston Consulting Group (BCG) consulting firm suggested that the Automobile factory of Csepel be closed down as a way out. In conjunction with this it also recommended that chassis production be taken over by Ikarus, and the manufacturing of components—i.e., of steering columns, transmissions, etc.—by Raba.

Dr. Csaba Kosaras, the enterprise's director for production and procurement:

[Kosaras] The idea of breaking up Csepel Auto is not a new one; the problem is that it would do little to change the structure of our public transport vehicle production. For the scope of this industry reaches from the sheet metal manufacturing Danube Iron Works to the Zahony border station. Any way it is sliced, the point remains: in an inflationary price mechanism, operating with a material cost of 80 percent, you cannot produce profitably if your increased costs are not recognized by the CEMA market.

[FIGYELO] What then is the strategy that should be followed?

[Kosaras] There is no question that we must change our sales percentages. Besides Ikarus chassis, we must also develop products that are suitable for capitalist exports.

Geza Hatos, the enterprise' manager for long-term development, had this to say some of the specific problems involved:

[Hatos] After several contacts with the consulting firms it appears that the World Bank would even be willing to finance three different actions. I should mention here, that the Boston firm did not provide us with any usable recommendations, which is why we returned their final report with instructions to revise it. For the Automobile Factory of Csepel insists on its independence.

The first action concerns the development of chassis production in which the goal is to produce products that are independently marketable. The second area pertains to the development of transmission, spare part and component production, while the last one involves the production of more than 150 different spare parts which we had developed for the Cummins horizontal diesel engine. The volume of production is still uncertain, but there is also a chance that we might enter into a joint venture. The success of this undertaking will also depend on whether or not our supply industry will be able, for example, to meet our casting needs.

[FIGYELO] When will it be expedient and possible to get started on all this?

[Hatos] The actions should commence between 1990 and 1992, and last about 4 to 8 years, until the developments start bringing in some money.

[FIGYELO] A few years ago you experimented with Volvo but the cooperation ended. Why?

[Hatos] Indeed, in the early 1980's we produced 3,000 midsize all-wheel drive vehicles for Volvo. Soon, however, citing a lack of market interest, Volvo cancelled all further orders. Presently, in addition to meeting Ikarus' needs, the key to Csepel Auto's future seems to lie in its own chassis and main unit production, the details of which are outlined in the strategic plan which will be discussed by the enterprise management sometime during the first half of the year. Our biggest problem is that we cannot see any possibility of repaying a structure change loan from the World Bank.

On a Unique Course

Compared with Csepel Auto which has long been struggling with identity problems, Ikarus has a far greater latitude of freedom. Its top managers feel that it would be a mistake to pull out of the socialist market where 80,000 buses are sold and bought each year, and where by the turn of the century they expect a modest increase in demand. Just as a basis of comparison: this is how many buses are sold in all other countries combined,

including both the developed and the developing countries. The strategy they have chosen, therefore, is to maintain their current level of ruble-cleared exports—which account for 80 percent of Ikarus' total sales—and concurrently to increase their capitalist exports from their current level of 10 percent to as much as 40 percent. Although they cannot be compared in size with the socialist markets, the capitalist markets hold significant sales possibilities. In order to take advantage of them, Ikarus needs—in addition to making improvements in the area of efficiency and quality—to separate mass production from its small or special product line. It was in the spirit of this aim that it recently signed an agreement with MOGURT [MOGURT Foreign Trade Enterprise for Motor Vehicles], establishing the Ikarus Nonseries Bus Factory, Ltd. The new limited partnership will produce non- and small-series buses, primarily for dollar-cleared exports. Incidentally, the Boston Consulting Group has proposed the formation of a similar organizational entity to be called Exparus. The new firm boasts a starting capital of 240 million forints which is shared 60:40 percent, respectively, by Ikarus and Mogurt.

Istvan Lepsenyi, technical director of Ikarus:

[Lepsenyi] Of the model 300, mounted on DAF, Volvo and Scania Chassis, this year we expect to export 150 units which we hope to double within the next few years.

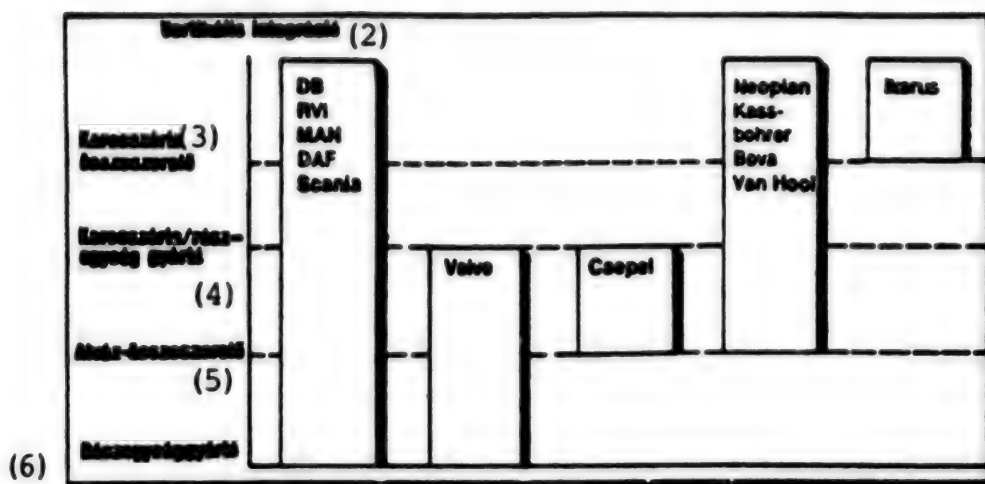
A Question of Decision

This in itself, however, will have little effect on the current sales ratios, although it is also true that with the sale in Western Europe of 300-350 units behind it, Ikarus would command greater respect on the international bus market than what it is currently afforded.

[Lepsenyi] I believe that the important thing for now is that we are competitive, and that some lesser or greater quality problems notwithstanding, our products can be sold anywhere. Of the 12,500 buses we turn out in a year, 11,000 are mass-produced; the production is well-mechanized, the amount of manhours expended per bus, including both city and long-distance buses, is less than 600 hours which, I would venture to guess, must be a world record. This year, we are offering as many as 5 different lines of buses, in a wide variety of models. We are delivering low-floor city buses to suit British needs, air-conditioned units of exacting interior designs to North America, and simpler large-capacity vehicles to the Soviet Union. In addition, we have also commenced production of a line of small-size, 18-20 seat capacity buses.

Incidentally, our nonseries production has been greatly helped by the fact that it can also use mass-produced spare parts. In order, however, for our hard-currency cleared export efforts to pay off, our entire subbranch should undergo some background industry development.

A vertikális integráció néhány multinacionális kőszíjérmő-gyártó vállalatnál(1)



Source: Boston Consulting Group

1. Vertical Integration in Selected Multinational Public Vehicle Manufacturing Enterprises

2. Vertical integration
3. Body works assembly
4. Body works component manufacturing
5. Chassis assembly
6. Component manufacturing

For we still continue to import a whole line of parts and components from hard currency sources, even though many of these things could also be produced right here at home.

[FIGYELO] How was the American proposal concerning the break-up of the Csepel Automobile Factory received?

[Lepsenyi] Although according to the expert firm this action would result in several benefits, we hardly think that it is feasible. After all, Csepel Auto is managed by an enterprise council. We are not even convinced that the break-up is necessary. We feel that switching to a divisional structure—under which different activities and expenditures would be kept completely separate—might be more advantageous. This way, one division could serve Ikarus exclusively, which would once and for all settle any questions there may be about the efficiency of Csepel Auto's chassis production. We would not like to alter the present division of labor, for Ikarus is thoroughly occupied with its own problems.

[Lepsenyi] Within the CEMA, buses are referred to as hard commodities, hence we have every reason to be

confident about the success of our barter arrangements. And should the Soviet requirements decline for whatever reason, it will be only a matter of deciding to start producing chassis in Matyasfold, and stop buying it from Csepel Auto. We are not pessimistic; we have faith in ourselves, and are confident that the impending changes in the regulatory system will give the enterprise greater freedom of movement, as promised by our economic leaders. We hope to be able to give our suppliers some competition, and eventually to break their position of monopoly. We have also discussed engine production with LIAZ, ZIL and IFA.

[FIGYELO] The World Bank would be prepared to extend 17 million dollars in credit to Ikarus, hoping to help boost its capitalist exports. Yet, according to the news, your enterprise is unable to take advantage of the loan.

[Lepsenyi] Indeed. Our bank of account has indicated that we were not creditworthy, which can be very simply explained: the 2.5-3 billion forints our company was earning in profits in the early 1980's, have declined to a

fraction of that figure, with the efficiency of our production remaining unchanged. Incidentally, what we would really like would be to take out the loan in two steps, but only if the financial situation of the enterprise stabilizes. This, however, is contingent upon our socialist exports.

Instead of simply summing up the above, let us conclude by looking at a few facts, including some of the newest developments. According to the terms of this year's Hungarian-Soviet barter trade and payment protocol signed last week, exports to the Soviet Union will drop by 10 percent. In terms of our contingency trade, this means that—among other things—that we will be delivering 1,000 fewer Ikarus buses.

[Box, p 7]

Kept in Check

Let us take an enterprise whose activities have been scaled back in the past few decades, and owing for the most part to a role assigned to it from above, it has become trapped in a situation of double dependency.

It is for this reason—the Boston Consulting Group has concluded—that in attempting to diversify its profile and expanding its convertible exports, Csepel Auto is starting from a position of multiple disadvantages. For if the enterprise tries to make a move in that direction, it can only do so at a considerably higher than average cost. After all, to develop the necessary marketing network and research and development basis, it would have to start virtually from zero.

In addition to Csepel Auto's inherited lack of freedom of movement, one must also not forget about some of the unprofitable characteristics hidden in this three-sided Ikarus-Csepel-Auto-Raba—cooperation, i.e., the cost of internal deliveries, the processing time, the inflexible production organization and planning and the doubling of inventories. On the other hand, the American consulting seems to feel that by way of a merger, this difficult to fallow, costly, lengthy and risky process—which the upgrading of Csepel Auto's product scale and the development of an export marketing strategy would entail—could be shortened. This could lead to corresponding reductions in processing time and stockpiling costs, and the subsequent elimination of other parallel functions could yield similar results.

The counter argument, namely that this break-up and merger would reinforce the monopoly situation, is indisputable. However, it is also possible that this may not be the most important consideration. Other motivating factors known from the realm of so-called takeover investments (FIGYELO, 2/1989), such as access to new markets, an expanded market network, an even better utilization of capital goods may, in our case, be a stronger argument.

According to all indications, the enterprises—rumor has it, including Raba—are not "overenthusiastic" about the fusion idea. To dismiss it out of hand, without taking time to consider it, however, would be a luxury we cannot afford. For reorganization according to each enterprise's own interests would mean that with all the players keeping one another in check, the system would continue to have to operate at a greater than justified cost.

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[Text] The Raba Hungarian Railroad Car and Machine Factory has already qualified for a total of 70 million dollars in World Bank loans to finance additional structural changes. There is a strong possibility, however, that the enterprise will not, or will only take partial advantage of its credit opportunities. The reason is that Raba's markets have been changing too rapidly for World Bank loans "designed" to finance basically infrastructural developments to enable it to keep up.

The World Bank insists that all credit requests submitted to it for approval be supported by international export studies. The advices contained in these studies are considered by many to be the most important appurtenant elements of World Bank credit. Others doubt that there is "anything left here to say" at all. In our four-part [as published] series we are presenting the consultants' findings, and where appropriate we compare them with the opinions of those at whom the advices are directed.

Let us immediately look at an example of the above assertion: Raba's reputation is attributable primarily to its chassis production. Much of the enterprise's 104 million dollars worth of hard-currency export revenues last year came from this line of activity. The enterprise had established important market bases in North America which is clearly apparent from the fact that the total value of its exports last year to this part of the world amounted to 52 million dollars. As a reminder: its first 11,000 dollar deal had been struck in 1974, which has been followed by 400 million dollars in business as of 1988. Although export to this region can undoubtedly be expanded, the American expert firm has strongly cautioned against becoming overly dependent on sales to the United States. According to their reasoning, that market is so rapidly changing that Raba's marketing and other activities would only partially be able to keep up with it. The recommended strategy, therefore, is to increase Western European sales by augmenting high-volume chassis production—i.e., of the "supermarket" category—with unique, "boutique-like" production. In order to be able to do this, however, the enterprise must improve its market sensitivity, and at the same time it needs to make certain necessary investments—approved by the World Bank in the amount of 38 million dollars—aimed at upgrading its chassis production and expanding its capacities. And this is where the problems connected with the acceptance of World Bank loans begin.

According to World Bank regulations, in the case of investments amounting to over 1 million dollars, a tender proposal must be submitted to the experts of the World Bank. The authorization process takes 2 to 3 months to complete. Once the tender has been made, it takes at least 3 months to process all of the data, and another 3 months for the mandatory evaluation. In sum, the preparations alone take about a year, and by the time the machine or equipment begins to produce in the factory, at least 2 1/2 years go by. For many this is not a feasible course, for we know that expanding one's markets requires prompt and quick deliveries.

This is what Mihaly Horvath, Raba's head of main department for investments had to say about this problem:

[Horvath] The tender requirement also neglects to take into account the fact that developments are usually supplemental investments. Compatibility and service considerations pertaining to our machinery make it imperative that we use only properly fitting links in this chain. Yet, if we are offered something cheaper by a supplier, the rules say that we must accept it, even though cost is only one consideration. Raba has always invited bids, and will continue to do so, for the goal is to obtain advanced technologies under the most favorable conditions possible.

[FIGYELO] What kind of credit construction do you believe would best promote the development of chassis production?

[Horvath] The temporary solution we have chosen is a 35 million dollar leasing deal which is expected to yield significantly quicker changes in the technical conditions of production.

[FIGYELO] And to what extent do you agree with the other structural-change related recommendations of the American firm, the Boston Consulting Group?

[Horvath] Understandably, the Boston firm sees things with "American eyes." The order and method of production organization is not the same in the US as it is in Europe. While in general, European production structures are fully vertical, manufacturers in the United States have become specialized according to main vehicle unit types. Specialization in mass-produced series may be advantageous and possible in two markets: the US and the Soviet Union. With its high-volume series chassis production Raba has played a substantial role in both markets. The American expert firm, incidentally, is less familiar with the Soviet market, hence at the time of preparing the study they could not have known that the recently signed Hungarian-Soviet barter trade agreement would mean a 59-million dollar export reduction for Raba. This represents a far greater fluctuation than anything we have ever experienced on the US market.

The US market is a European-size market, where Raba delivers to 7 states, and where it does not feel like it is standing only on one leg. This, of course, does not mean that we are neglecting our original intention to increase our less dynamically growing Western European markets.

[FIGYELO] Is it conceivable that—either in the Old or the New World—Raba might become the boutique producer of chassis? In other words, will there be a greater emphasis on specialty products?

[Horvath] We would agree with the contention that Raba must be ready to produce all types of series, "from the boutique to the supermarket" scale. However, the boutique concept should not be taken literally. Our branch does not handle 5-piece series. If required, as a precondition for a larger deal, however, those 5 pieces, too, will have to be produced.

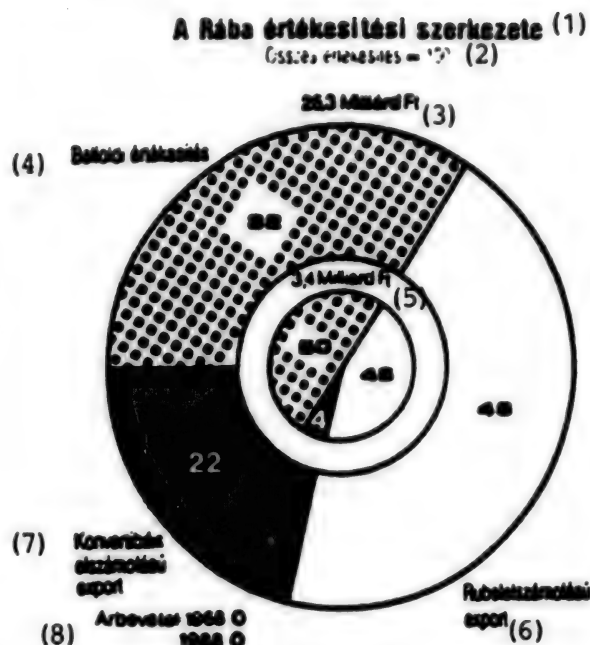
[FIGYELO] More than anything else, the expert firm has called for more marketing investments, recommending that Raba set up planning offices, for example, in Dueseldorf and Detroit.

[Horvath] Practically speaking, it is unimportant where we have our planning office, abroad or in Gyor. It takes but 3 minutes for our chief designer to replace complete drafts with the help of a telefax machine. We even have a time-tested method for getting entire plan documentations anywhere in the world within 24 hours.

The structural change at Raba began a good two decades ago. A quick overview of this period reveals that from 20 years ago to today, its earnings have increased from 3.4 billion to 25.3 billion forints, while at the same time the ratio of convertible exports have risen from 4 to 22 percent. The ratio of domestic sales has declined from 50 percent to 32 percent, while the ratio of ruble exports has remained unchanged at 46 percent. In 20 years, the enterprise has implemented 7 high-profile investment programs, at a cost of 13 billion forints in investment concentrated primarily in engine and chassis development. During the same period, 7 billion forints have been expended for investment at other levels. Agricultural machine production accounts for one-fifth of the enterprise's earnings, with the rest coming from the sale of public transport vehicles. One-third of those earnings have come from engine, 10 percent from truck, and the remainder from chassis production.

"This latter has indeed been a successful branch, but engine production can under no circumstances be described as such," I commented to Istvan Horvath, the enterprise's deputy director for technology.

[Horvath] Indeed, engine production has been one of the weak points of Raba, and thus also of one of its users, Ikarus. In order to turn things around, Raba is planning—basically in concordance with the design changes projected in the domestic final product—to continue, on



1. Rába's sales structure
2. total sales = 100
3. 25.3 cillion forint
4. Domestic sales
5. 3.4 billion forint
6. Ruble-cleared exports
7. Convertible exports
8. Earnings

the one hand, to improve its currently produced line of models, and on the other, to establish a new license basis—partially in the form of international cooperation and joint ventures—for the production of new models.

In the case of new engines, the question of scale is the most crucial consideration. In other words, determining whether or not the product into which it will be built can tolerate the cost of a higher-capacity engine. According to reports, Rába has been negotiating with Nissan-Diesel and Man, but until there is a final agreement on license fees, series volumes and the conditions of repurchase, everything is only a guess.

Rába's current engine production, according to the American expert firm, is really not a profitable business. In this connection, Rába is one of Ikarus's subcontractors. The product is 20 years old, manufactured under a somewhat antiquated license with equipment of similar age and quality, but still with a good profit margin. This

suggests a slight conflict of interests in terms of development. For the dilemma may be summed up as follows: Ikarus needs a competitive engine, but its requirements and market possibilities do not provide the kind of background that would adequately support a more significant research and development effort aimed at developing an engine of its own. Buying a license would not solve the problem because of the licensing costs, the inadequacies in the transfer of know-how and the existence of export restrictions.

From the point of view of the hard currency balance, the current course can only lead to a dead end, for owing to the dollar-ruble conversion the posting, even of high forint profits is deceiving. This, incidentally, is also one of the key problems facing the branch as a whole: in order to keep up—even by staying a few steps behind—with the increasingly rapid pace of development and planning, it must rely almost exclusively on convertible imports. At the same time, its income producing ability is closely dependent on the CEMA market.

Mihaly Horvath denies that the dollar-ruble conversion has anything to do with the existing engine model:

[Horvath] With 28 million dollars invested in 20 years, our engine production, targeted to support primarily our own products—semitrucks and power machines—has yielded net earnings of 132 million dollars in addition to our domestic and socialist sales. As far as the future is concerned: naturally, we are also looking into ways of generating independent hard-currency exports.

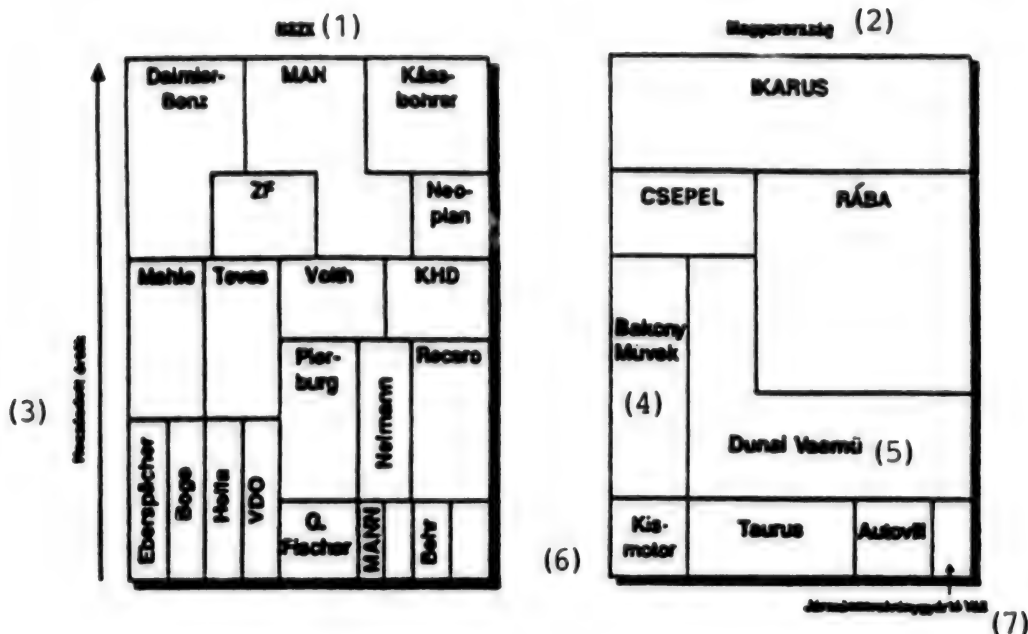
[FIGYELO] By when do you expect the new engine to be ready?

[Horvath] The production has been so well prepared that the new engine may appear on the market as early as 1991.

As far as the recommendations concerning the dismemberment of the Csepel Automobile factory, and its fusion with Rába and Ikarus (FIGYELO, 7/1987), the people at Rába can also clearly see that in many respects, Csepel auto's spare parts and component production well suits Rába's production profile, and that there is indeed logic behind the reorganization. There was a similar attempt back in the mid-1970's already, but the question is how they feel about the fusion now?

[Horvath] Detailed studies and analyses are needed to determine whether or not changes in our organizational and proprietary forms, and the compatibility of those changes with the structural transformation currently taking place in the national economy allow us to opt for such a solution at all.

Without attempting in any way to summarize the American expert committee's several hundred page long analysis of the entire Hungarian vehicle industry, commissioned in preparation for the World Bank loan, we would



like to conclude with one more thought from among the findings of the Boston Consulting Group. It has become almost trivial to say that we should make more and more products that can be sold in the developed capitalist countries. And if we do come up with such products they must be sold, and it does make a difference how we go about it. (To quote from something the manager of a West German firm has said: "At the last fair, everyone came to see me, and left me with so many gifts that I could hardly haul them home.") The most valuable asset to any enterprise is the customer, and according to the Americans our firms—with some notable exceptions—still must learn this. Moreover, vehicle production in Western Europe is, for the most part, self sufficient, and the buyers market of spare parts and components is closed. The only way out of this situation is to form a close partnership with the capitalist enterprises of that closed market.

[Box, p 7]

Monopolies in the Background

Altogether—including the basic materials suppliers—the supply industry of Hungarian public transport vehicle

production is made up of 22 enterprises. These enterprises are not engaged in true competition. Some of the suppliers enjoying positions of monopoly include Autovill, the starter and generator manufacturer; the Agricultural Machine Producing Enterprise, the sole source of radiators; the Ganz Instrument Factory, the maker of instrument panels, and the list could go on.

The enterprises of the supply industry are strongly dependent on the domestic and CEMA markets—and the markets on the monopoly enterprises—for it is here where, on the average, they sell more than 90 percent of their products every year. Their hard currency exports, therefore, are minimal. Although some of these enterprises have maintained a positive hard-currency trade balance, for most, the equilibrium is negative.

The small supply firms are facing basically the same problems as the large ones: their products, for the most part, are antiquated; the CEMA countries play a determining role in their trade, and they are barely able to feel the effects of the competitive markets. In addition, for a

variety of reasons their operations are inefficient, they usually have large stockpiles, and most of them are at the mercy of basic materials suppliers who are in similar positions of monopoly.

The supply industry of public transport vehicle production is interested primarily in the manufacturing and sale of finished products, which is why it has not exploited the possibilities hidden in spare parts production. (The American expert firm has conducted a detailed study of three supply industry enterprises—the Automobile Electrical Equipment factory, the Small Engine and Machine Factory, and the Vehicle Fittings Manufacturing Enterprise—and has found that more than a half of the added value produced by these enterprises was generated from component assembly.) This despite the fact—according to the expert firm—that spare parts production is the area which could become the supply industry's best source of hard currency exports.

Interviews with potential buyers have revealed that the John Deere firm, for example, has an annual spare parts requirement of about 20 million dollars. These usually are technologically not too complex products of small added value. Success in taking advantage of such an opportunity will depend on the supply industry's ability to take advantage of the cost benefits presented. This, in turn, could become the basis and starting point for the production of technologically complex products of high added value, which to be successful will require a highly competitive situation in our entire supply industry.

[2 Mar 89 p 7]

[Text] For decades, domestic industry has been built essentially from the top. In the process, our central decision based industrial policy has regularly overlooked certain "minor matters." Little things, such as spare parts, semifinished products and accessories; in other words, the supply industry. If we are to build a supply industry that will improve the adaptability of industry as a whole, we will need far-reaching programs designed to subsidize small and medium-size enterprises—states a comprehensive foreign expert study, of our supply industry commissioned as part of the prerequisite for receiving a World Bank loan.

The "second class" character of the Hungarian supply industry is still largely the legacy of the pre-1968 period. When the production requirements of a basic material producing branch are prescribed, all other branches that do not receive a direct share of the centrally allotted funds become supply industries. This is how the processing industry enterprises have created their own supply industry production capacities to keep their operations supplied, while in the process turning into huge, vertically integrated state enterprises. Although during the past 20 years we have partially succeeded in overcoming this supply industry syndrome, it is still true that the scope of the specialized, independently competitive intermediary sphere of the vertical production structure

of industry is still disproportionately narrow. A handful of large exporting firms—such as Ikarus, Tungsram and Videoton—continue to enjoy special privileges when it comes to gaining access to investment possibilities, hard currency and the like. Industry remains so highly concentrated, that it hinders the development of competition on the semifinished product market, concluded the foreign expert firm of WS/Atkins.

In the course of their study, the foreign experts, with Hungarian assistance, used the ITJ classification system to identify the product groups which they considered supply industry products within our domestic context.

The study has found that of the 253-billion-forint total turnover of industrial goods in 1987, supply industry products accounted for almost 65 billion forints. Most significant among the supply industry product categories was the sale of machine components and fittings which in the same year reached 57 billion forints. The ratio of directly convertible exports within this figure averaged around 17 percent which was significantly higher than the directly convertible export of other supply industry products. With respect to the processing industry's convertible exports, the background industry's role is to support the user industries on the export markets. Without proper support behind its own efforts, however, it is unable to live up to that task. Who knows how many product innovation efforts have run aground because they were lacking the right size "bolts?"

Negative Balance

Hard currency imports of supply industry products exceed exports of such products by 106 million forints. In the case of certain products, exports and imports are significantly out of balance. On the one hand, cable manufacturing accounts for nearly 40 percent of our supply exports, with similarly positive balances found in electrical engine, lock and bearing production. The greatest deficit, on the other hand—35 million dollars to be exact—has been the result of imports of spare parts and accessories, but the situation has been similarly serious in the area of drive gears, springs, small machinery and guidance mechanism units production.

As of 1987, 420 enterprises were selling supply industry products. Nearly one half of these are enterprises operating under the direct control of the Ministry of Industry, but they also include 130 cooperatives, and 86 state and local enterprises of different types. Nearly one-sixth of these enterprises are simply specialized supply industry enterprises, while the rest are so-called integrated user enterprises, meaning that they produce supply-type as well as finished products.

According to the foreign expert firm, the only general strategy option for the Hungarian supply industry to adopt is to become a reliable exporter of high-quality products to the countries of Western Europe, particularly to the FRG. In addition, it should continue to

export products of increasing added value to the CEMA and the developing countries. In order to accomplish all this the foreign expert firm has recommended—among other things—the launching of a supply industry subsidy program aimed primarily at helping small and medium-size enterprises.

Since most of the supply industry's capital assets are superannuated and of low efficiency, and thus are unsuited for the cost and quality requirements expected of the supply industry products of the future, more substantial investments will be needed for replacing antiquated equipment. The level of investment called for equals about two-thirds of the added value currently generated, which would be impossible to come up with without outside financing. (As a basis of comparison: in 1985, industrial investments as a whole amounted to one-fourth of the added value.)

Let us look at a few comparisons to demonstrate the cost effectiveness of the Hungarian supply industry. The average added value produced is approximately 30 percent, which is an acceptable level for the processing industry. Even considering that in the supply industry branches of the Common Market countries this value is 10-20 percent higher. Compared with the European countries, the manpower efficiency is relatively high, for as it is well known, wages in Hungary are low. The ratio of added value versus wages is between 2.5 and 3.7. In the European countries the average value characteristic of the processing industry is 1.25 in the FRG, and 1.47 in Great Britain. Despite our low per capita production value—which is merely one-sixth that of the industrialized Common Market countries—we enjoy a significant advantage owing to low wage costs. In the case of Hungarian supply industry products, the ratio of wage expenditures is 9 percent, while in the industrialized countries it is 34 percent. Inherently, low per capita production values are the consequences of weak construction, outdated technology, a large, unproductive work force, low efficiency management systems, organizational shortcomings and overly bureaucratic guidance.

Manual Control

One of our general problems is that the authorities' attitudes do not, or barely ever change. This is what the experts have also found in the area of price setting. Since 1 Jan 1988, reindexing has meant price rollbacks by the processing industry which then were frozen by the price office for 3 months. Subsequently, the enterprises were emphatically advised not to raise their prices even after 1 April. Practically speaking, the price office has the authority to administratively interfere with price developments, and can suspend price increases for as long as a year. This kind of authority is needed to curb inflation and profiteering in economies where, perhaps to different degrees, but monopoly situations are characteristic of most subbranches of the processing industry. However, this does not change the fact that the effect of

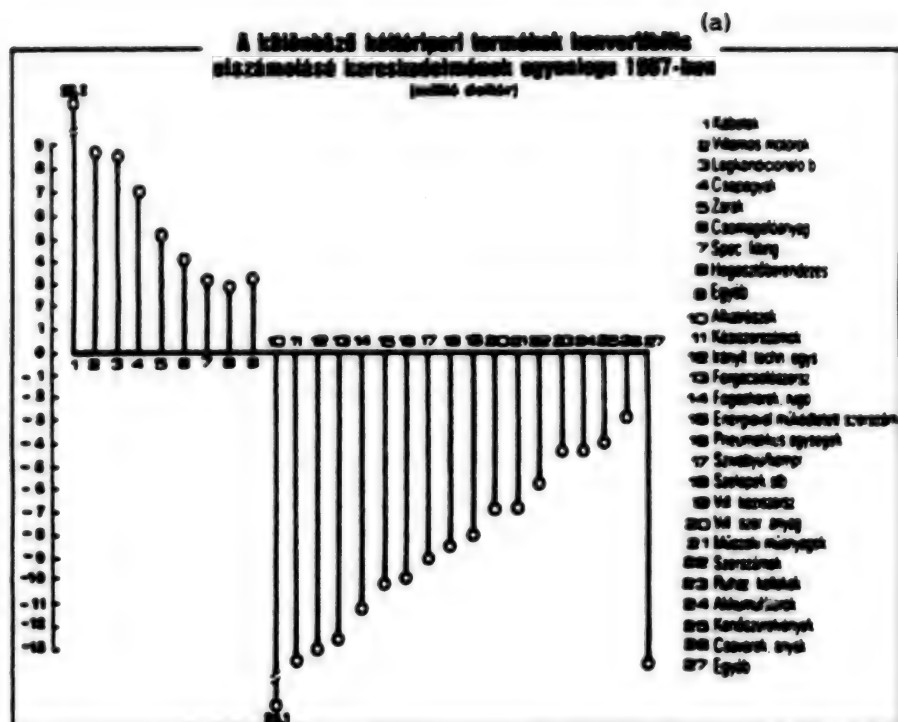
intervention does not cancel the goal that in the area of price formation the elements of the market must be allowed to assert themselves.

Because of the dimensions of the Hungarian economy, and the legacy of the plan-directed mechanism, there are few industrial end products that are manufactured by more than one enterprise. In the supply industry, however, we can find several products—e.g., tools, smeltery products, electric engines, transformers, etc.—in the case of which several enterprises produce the same product. Real competition still does not exist. The freeing of imports increases competition, and it is probably easier to end the shortage of special products, especially in the case of state-of-the-art technologies and top quality supply industry products and components.

Despite the increasingly liberal reforms, Hungary continues to pursue a defensive type of trade policy, the expert firm concluded last year. Owing to the hard currency allowance system imports are bureaucratic, and in most cases are dependent on the export performance of the users. Imports, incidentally, are still following their old involuntary course because of the continued existence of specialized foreign trade enterprises and the administrative restrictions they entail. Another contributing factor has been the inflexible characteristics of our CEMA trade stemming from our long-term and annual agreements.

Also to be eliminated are all price supports and subsidies employed in our export and import relations. These taxes have circumscribed the settling effects of market forces in all CEMA exports and potential import replacements. In addition, their arbitrary character has prevented firms from asserting their entrepreneurial character on the CEMA markets.

Of the spare parts and fittings needed by our country's finished product manufacturers, many things are not immediately available on the domestic market, be they processed or supply industry products. Our stockpiling and product distribution system does not function effectively. The number of stockpiling enterprises is much too low; their product selection is not diverse enough, and often they even lack the necessary import permits. The profit ratio does not provide sufficient resources for the stockpiling of the necessary selection of goods, hence this line of activity has not been attractive enough. There is no other alternative than to remove the 7-percent cap presently imposed on the profit ratios of stockpilers, the foreign expert firm believes. As a comparison: the average profit ratio associated with mass products and materials in the Common Market countries is 20 percent, and in the case of components it is far higher, even as much as 100 percent. There is no question that whenever merchants are given a freer hand in price formation, in the short run it leads to price increases. Once, however, stockpiling becomes an attractive activity, and competition develops in the market place, the resulting price war among the merchants will keep the price gap at an



Source: WS/ATKINS

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|-------------------------------|-------------------------------|--------------------------|
| 1. cables | 10. spare parts | 18. valves, etc |
| 2. electric engines | 11. hand tools | 19. electric hand tools |
| 3. air-conditioning equipment | 12. guidance mechanism unit | 20. electromics supplies |
| 4. bearings | 13. cutting tools | 21. technical plastics |
| 5. locks | 14. drive gears, springs | 22. tools |
| 6. packaging materials | 15. energy-operated equipment | 23. required clothing |
| 7. special fittings | 16. pneumatic units | 24. batteries |
| 8. welding equipment | 17. pumps, compressors | 25. lube fittings |
| 9. other | | 26. bolts, nuts |
| | | 27. other |

a. The 1987 trade balance of various background-industry related products (in million dollars=

acceptable level. Furthermore, a thoroughly improved product distribution mechanism will provide a realistic opportunity for reducing enterprise stockpiles. And on the extended and long run, this may precipitate continued advantages that would more than offset the increment of growth in production costs caused by the price increases.

An Office of Competition

The enterprises of the supply industry—not being truly export-oriented in character—generally do not pay enough attention to marketing. Hence there is always the danger that with the liberalization of trade, their market share becomes threatened, and that their domestic marketing ratios deteriorate more rapidly than any growth they might be able to generate in their export volume.

Following the example of the Western European countries—where the primary focus of industrial development is small and medium-size business—the government should offer financial subsidies to the supply industry. During the first 5 years, the required subsidies would amount to 11 million dollars and 350 million forints. This support would yield direct benefits in the form of increased industrial production and exports.

It would be expedient to set up an office that would be charged with investigating all practices that hinder market competition. It would be open to any supplier who feels excluded from competitive biddings, or suspects that other suppliers have conspired to prevent it from submitting a competitive bid. Enterprise managers continue to lack confidence because of periodic central audits of enterprise costs and prices. Such audits must

cease, and be limited only to those cases where there is demonstrated abuse of a monopoly situation.

Among other things, care should be taken to allow the exaggerated vertical integration to correct itself. For nothing would justify a possible act of state intervention or forced decentralization. Once the small and medium-size enterprises receive appropriate support, the capital market establishes itself, the partnership and transformation law takes effect, import liberalization becomes a reality, and the enterprises also change their planning marketing, cost calculation, etc., categories, the natural order of things will eventually be able to assert itself.

[Box, p 7]

A.H.: 'A Standard-Bearer'

The Hungarian Bearings Factory (MGM) has submitted to the World Bank a credit request for 6 million dollars. Upon completing its planned technological modernization—while at the same time reducing its per unit material and energy costs—it will have the capacity to produce 4.5 million more roller bearings a year. The enterprise's current capacity is 35 million units per year.

The domestic demand for bearings took a sharp increase in 1987. The total value of bearings sales reached 2.5 billion forints, of which nearly two-thirds had been produced by MGM. As a result of earlier developments, MGM has succeeded in significantly reducing its imports, and closing the year with a positive hard currency trade balance of 7 million dollars. Two-thirds of its hard currency imports originate from the FRG, and the high volume of exports is often the reason for bearings shortages at home.

With the technological modernization planned to be accomplished using World Bank credit, bearings exports will continue to increase, with more than half of the resulting 4.5 million unit surplus production earmarked by the enterprise for the capitalist markets. Presently, MGM exports to 35 countries, and its traditional markets are the US and Western Europe. The main goal of MGM in the face of intensifying competition is to fend for itself by providing more flexible conditions and improving product quality, we were told by the enterprise.

All considered, the foreign expert firm has rated MGM an efficient and competitive enterprise—a "standard-bearer"—which of all the supply industry enterprises is the most capable of development. The only thing Atkins had questioned was the long-standing practice of requiring foreign trade enterprises to obtain MGM's approval before importing bearings from outside sources. Incidentally, MGM also imports bearings to augment and enrich its product selection. For its monopoly to be broken in the bearings trade, there must be import competition. According to the expert firm, MGM is strong enough to remain competitive even under such conditions. Since

the bearings have already been placed on the list of liberalized products, the foreign expert firm's recommendation has, in fact, been fulfilled.

Bad Management Blamed for Lang Machine Works Crises

25000147A Budapest NEPSZAVA in Hungarian
25 Feb 89 p 4

[Article by Tibor Flanek: "A Phoenix Rising From Its Ashes: Lang Is Still Alive"]

[Text] "Lang Machine Factory; Established 1868," proclaims the text proudly in four languages, on four black glass sign mounted on both sides of the main entrance on Vaci Road. However, one of the signs, the English-language one, has been broken, who knows when. Its broken face and incomplete text glare at the visitor, making him sense at first glance that this time-honored, prestigious Hungarian enterprise has recently lived through difficult times.

A few years ago, in the mid-1980's, one could not even be sure whether Lang will survive until the 120th anniversary of its founding. The specter of bankruptcy hovered over the heads of workers, whose number has been reduced greatly; only about a third of the onetime work force is still around. Talk of bankruptcy could be heard throughout the country. The former domestic partners announced one after another that they only deliver to Lang in exchange for payment in cash, and since the firm had no cash, it had to search in more and more distant towns for suppliers who would honor its stamp and deliver on credit.

The Road of Crisis

"During the bankruptcy proceedings, we had to come to terms with about 500 firms, because around the end we had to go as far as Kisvarda to get material for our production," said Laszlo Boda managing director, who has been with the company for 35 years, and was put in his post in 1987.

But how did this internationally respected factory, the first in East Central Europe to manufacture a record size 32-megawatt turbine after 1945, end up on the edge of bankruptcy? Many people blame the previous leadership, and obviously not without justification, for bringing about the crisis. The talk about one of these leaders is that in the beginning he was all right, but later he started drinking and surrounded himself with yes-men who agreed with him even when he made wrong decisions. Another manager could only stay for about half a year; he could not handle the firm's growing problems and in the end he had to be dismissed (after which he forgot to return from a visit abroad), and when the time came for bankruptcy proceedings, the Ministry had to appoint a commissioner to lead Lang.

But Laszlo Boda does not want to talk about these things. Neither does Istvan Lindner, sales manager of the Transelektro firm, who (as a trading partner) has long known the situation at Lang.

"It is difficult to determine how much of these troubles originate from the negative consequences of external circumstances and how much from the leadership's poor response to these," he said. "On the other hand, it undoubtedly makes a difference whether the leadership reacts to such external factors quickly and in a business-like manner or keeps delaying the decision, looking for a miracle or at least some help from above. In my opinion, the difference between Lang's previous leaders and Laszlo Boda is this: Whenever trouble arose, they ran to the telephone, (and some of them reached into their pockets), while Laszlo Boda will go down to the shop to see what can be done. He knows the factory and the workers believe him. They did not believe his predecessors."

[NEPSZAVA] Someone said that those previous leaders were "parachutists" . . .

[Lindner] Yes. They came from the outside, they have been in several places and worked in various professions. Then they came to Lang to fail. As long as the old management system was in effect and they could rely on higher contacts, they had no problems. When that no longer worked, it immediately came to light that they were poor managers.

[NEPSZAVA] But, in those days, the Transelektro had close ties with Lang: After all, it was your firm that sold Lang's turbines to Finland.

[Lindner] That is true; but there is a qualitative difference in that contact, too. Earlier, we were only paid agents of Lang, who had nothing to do with their [internal] affairs. They did not even listen to our observations, although we were also interested in the welfare of the business. Now, on the other hand, there is a dialogue between us and Lang's leadership. We discuss each other's affairs.

Sandor Bajza, chief councillor at the Ministry of Industries, worked at Lang for twenty years, from 1956 to 1975, and during the last five years he was senior designer there. He remains in continuous contact with the firm.

"There have always been crises in the life of Lang," he recalls. "Leadership mistakes? Who can draw the line between the leadership taking risks and making mistakes? In my opinion, it was two decisions that started the debacle. One was concerning the manufacturing of waste-burning incinerators specially developed for our agriculture, and the other was connected to a proposed US business deal. As for the first one, everyone at the Ministry of Agriculture urged Lang to manufacture those incinerators. The matter reached the point where the equipment was being used at the Babolna State Farm.

That was the time when Lang could not use all of its capacities, so it manufactured an entire series of those incinerators, trusting in the promises made earlier. Meanwhile, during the early eighties, it turned out that the support promised to the agricultural cooperatives did not materialize, so Lang was stuck with all those incinerators. As for the proposed US deal, let us not even talk about it: It was a very convoluted affair, a perfect example of how not to handle an international business deal. Lang ended up bearing the burden of that affair, too."

In retrospect, both decisions were shown to be wrong. This is not changed by the fact that Lang found itself in a tight situation at the time. Of course, there are lessons to be learned from the way that tight situation came about, because it was decisively influenced by the economic policies of Hungary during the past few decades.

"There simply is no rational explanation why, even though Lang's turbines are competitive on the demanding Finnish market, nobody is interested in them at home," the commercial manager of the Transelektro asserts.

"This is a long-time complaint of Lang," says Laszlo Boda. "Ever since the firm was nationalized (when the son of the factory's founder was escorted out of Lang mansion next to the plant) it has been constantly forced to prove itself. No matter that we have been associated with the Swiss firm Brown Boveri since 1935, no matter that, as a consequence, we have access to the latest designs and technologies, at home they did not want to believe that we could manufacture turbines that meet the requirements. After the war, when power plant units went from 32 to 50 megawatts, they first bought four such turbines from Skoda, and purchased ours only afterwards. And it continued in a similar manner. In building the Gagarin power plant, they first bought [as published] from the Soviet Union; only later were we allowed to furnish 12 of those units, even though ours are rated higher; they achieve full load from a cold start within 4 hours, while the Soviet turbines take a full day to do the same."

It was in 1977 that Lang Machine Factory sold its last 200-megawatt turbine in this country, and it has not sold a single one since that time. Of course, there has not been any power plants built in the country since then, except for the large investment project of the nuclear plant at Paks. As for that project, it would have been in vain for Lang to make a bid for it: It was already decided that the Soviet Union would furnish the turbines.

In the meanwhile, Lang successfully participated in numerous competitive negotiations abroad. In December 1988, they signed the seventh contract for turbines to be delivered to Finland, and they have sold equipment to Turkey and Egypt as well.

"When doing business abroad, we have to satisfy extremely demanding buyers," explains the managing director "even though these deals bring only modest profits. That may be enough for survival, but not for the servicing of loans. For 1983 the firm was forced to accept a loss of 283 million forints, and as the years went by that figure has multiplied several times."

Fully illustrating the impotence of central decisionmaking organs is the fact that there were about ten proposals made in the Lang affair, the fate of the enterprise was uncertain for years, until finally a program of development was prepared, according to which a bankruptcy agreement was signed in December 1987. Constructively participating in the proceedings were the Bankruptcy Organization and the Hungarian Commercial and Credit Bank. The firm received 104 million forints as free allotment from the bankruptcy fund, and was granted a loan forgiveness in the amount of 48 million forints, but was compelled to repay the remainder of its loans, about one billion forints.

Again on the Rise

Here is the happy end: As the phoenix rose from its own ashes, Lang Machine Factory is once again a profitable firm, it repaid two-thirds of its loans and, after paying 280 million forints this year, will be free of debts. Last year, the firm's hard currency exports increased to several times its former size, and its market opportunities are assured until 1990.

How did this happen? By installing a new market-oriented leadership, which even found a way to implement a structural change without spending money. Even though there is less demand for turbines nowadays, the already existing equipment can be used to manufacture turbine-components and spare parts that can be sold in greater quantities. Moreover (just as is the case with an automobile), a machine that is sold by component parts brings a higher price. Through cooperation with a Swedish firm, Lang's gas turbine components nowadays reach several developed countries of the world. The good news spread throughout the world market that the brand name Lang still means quality.

This Hungarian enterprise, established 120 years ago, was nearly condemned to death by the distorted values of a misguided economic policy. Lang could not compete with the unrealistic prices of the CMEA, and turbines imported from socialist countries were given priority over those of Lang, even if quality considerations had to be ignored. After all, the socialist import items could be used to counter other deliveries, and even today we have no policy protecting the interests of the Hungarian industry. On the contrary, we had a policy of employing cadres [of the MSZMP (Hungarian Socialist Workers Party) that produced generations of unqualified managers, and the Lang had its share of these.

Its survival is in spite of all these things.

Newspaper Publishing: Ripple Effects of Price Hike Expected

25000172b Budapest HETI VILAGGAZDASAG in Hungarian 18 Mar 89 pp 50-52

[Article by Gabor Juhasz: "Press Economics: Sunshine and Overcast"]

[Text] Beginning on 1 January, newspaper publishing in Hungary has become a business, as announced by the government late last year. Readers thus far could not experience anything more than a newspaper price increase as a result. It seems that the wave of newspaper price increases is far from over: based on the "business is business" principle price increases are planned by both the paper and printing industries, and publishers too are thinking in terms of similar solutions to reduce loss.

On 1 March a few youth-oriented newspapers, such as VILAG IFJUSAGA and PAJTAS became more expensive. But the price increase announced by the Youth Newspaper and Book Publisher is not the only one in recent months (even if we do not include here the early January price increase of daily newspapers). Several periodicals, such as VALOSAG and KRITIKA raised their prices, true, they did so quietly, and only by 2-3 forints. In other cases, for example in regard to NEM-ZETKOZI SZEMLE, the paper was changed, and beginning in January it was sold as VILAGTUKOR, and was more expensive.

Nor is it a secret that nowadays every publisher and newspaper owner reviews his publications one by one, to see what prices could be increased. All this is taking place in the wake of a government announcement toward the end of last year: Beginning in early 1989 Hungarian newspaper publishing must be regarded as business. The announcement was made in the context of rendering daily newspapers subject to free pricing, and of a 177-percent price increase in the average. This also foreshadowed a price increase regarding weeklies and periodicals. It is not hard to "figure out" the reasons for new price increases: a majority of the papers is operating at a loss. Newspaper owners do not have enough money to support their own press, and production costs increased rapidly during the past several years. It also appears certain that by claiming, among other matters, that newspaper publishing has become a business, the paper and printing industries too will raise their prices.

For example, printing presses and publishers have been informed already that beginning in early April, the Paper Industry Enterprise will raise the prices of certain products. And the former are also saying that the firm is taking advantage of its monopolistic situation. Quite naturally, Paper Industry Enterprise commercial manager Tibor Horvath views the situation differently. According to the director, the Hungarian paper industry is highly dependent on imports, because paper base materials, and primarily cellulose, and even some of the paper stock sold by the firm originate from abroad. And

publishers are aware of that. The world market price of cellulose for instance has continuously increased during the past years: the price of cellulose imported in lieu of convertible currency (half of all imports) was 409 dollars per ton in 1986, while last year it was 649 dollars, and this year's average price will be about 740 dollars. "Unfortunately it will go even higher," according to the commercial director. "And at this point we have not mentioned energy costs, or the increased forint exchange rate of foreign currencies," he added.

Horvath recalled that this price increase served as one reason for last year's paper shortage, because Hungary did not have enough foreign exchange to import needed base materials. "For this reason, while there was a newsprint shortage in Hungary, the new paper mill in Szolnok, built at a cost of 6.5 billion forints, and in operation in 1985, stood idle twice, each time for more than two months, once in 1987, and again in 1988.

Paper used expressly for newspapers, (rotary newsprint or rotogravure web paper used for color printing) is not even manufactured in Hungary. Most of this paper is purchased from the Soviet Union or from Finland. Accordingly, insofar as this kind of paper is concerned, one cannot even accuse the Paper Industry Enterprise of unjustified price increases, Horvath said, because such paper just "passes through" the firm, and its domestic price depends primarily on the price it was purchased for, and on foreign exchange rates. On the other hand, it is true indeed that the enterprise intends to introduce a price increase on 1 April with respect to certain types of paper manufactured in Hungary. This includes not only paper used for newspaper printing. (This kind of paper is used by FIGYELO, REFORM, and also HETI VILAG-GAZDASAG.) Horvath stated the range of the 6 percent average price increase: There will be 30 percent price increases as well as 5 percent decreases. In regard to the above mentioned paper stock they are contemplating an average increase of 20 percent. Horvath added that it was not true that the increased price of newspapers and periodicals, or for that matter of books, is a direct consequence of increased paper prices: "The largest cost item in newspaper publishing is not the cost of paper. In REFORM's 29 forint price for instance, the paper cost amounts to not quite 3 forints." The increased costs of paper manufacturing are causing the present price hike, Horvath explained, and the Paper Industry Enterprise has neither an opportunity nor a reason to subsidize newspapers through economically unjustified low paper prices, and through those the publishers and the owners.

Printing presses are of the same view, at least insofar as political dailies are concerned. However unbelievable this may be, printing presses dealing with political dailies, which are otherwise profit oriented, had to register losses thus far, according to the Printing Industry Association. Not counting the Szikra press which produces NEPSZABADSAG and NEPSZAVA, last year's deficit amounted to 80 million forints total. The Athenaeum press of Budapest, for instance, incurred a deficit of 22

million forints in producing MAGYAR NEMZET and MAGYAR HIRLAP, deputy president Geza Losonczy responded to our question. One reason for this is that the earlier political price—to use the professional term—of these papers had nothing to do with their production costs.

It is characteristic of the newspaper publishing situation that for ten years Athenaeum did not have a written agreement for the printing of MAGYAR NEMZET and MAGYAR HIRLAP (incidentally, this is a nationwide practice). Instead, ad hoc agreements governed the amounts printing presses could charge publishers. Quite obviously, losses incurred by printing presses may be attributed to the fact that publishers were in a better bargaining position at negotiations because they could sense the support of newspaper owners, primarily of the MSZMP and of the government. Thus an odd situation evolved: while a majority of the printing presses in the countryside incurred loss by printing county newspapers, some printing presses in the countryside under the direction of the Newspaper Publishing Enterprise which functions as a party enterprise recorded 187 million forints of profit resulting from newspaper publishing in 1987, according to the Printing Industry Association.

If printers have their way, this situation will end, however. "In negotiating prices we want to establish conditions under which we receive our money, at least," according to Losonczy. Unless there is change (price increase, in Hungarian), some of the enterprises may even go bankrupt, according to projections made by the Press Industry Association.

Profits recorded by printing presses have sharply declined during the past years. Athenaeum's 1987 profits of 140 million forints dropped to 11 million forints in 1988. At the Pannon Press of Veszprem which specializes in newspaper printing, profits declined from 34 million forints to 5 million forints during the same period, according to president Balazs Danoczy. True, they add, the fact that as a result of tax system changes printing press prices were reduced by 19.9 percent, while the price reduction plan regarding materials used by printers called for a decline of only 3 percent also played a role, providing a new argument to printers seeking price increases. According to Losonczy, however, actual base material prices increased by 17 percent.

In this situation the people at the Printing Industry Association find it necessary, and thus justified, to increase the price of printing. The extent of price increases varies by individual papers and printing presses. Athenaeum, for instance wanted to achieve an increase in the weekday edition of newspapers from last year's price of 1.04 forint to 1.54 forint (including the cost of paper). After several months of arguing an agreement was reached. Athenaeum will receive 80 percent of the amount requested retroactively as of 1 January, and thus the signing of an agreement between the printer and Pallas Publishers is expected shortly. The

settlement was perhaps influenced by the fact that Athenaeum was considering discontinuing newspaper publishing, which would have produced the scandalous situation of the government not having a daily paper.

To put it mildly, there are rather mixed feelings about looking back at the large-scale January price increase of daily newspapers. Namely, at that time, the prices of morning political dailies were established uniformly, by virtue of a government decision, disregarding the various financial situations of the individual papers. Thus it may occur that as a result of price increases justified on grounds of introducing market mechanisms, certain heretofore profitable daily newspapers in the countryside will become loss operations, primarily because as a result of the more than 150-percent price increase they lost 20-30 percent of their subscribers.

While the paper and printing industries deem additional price increases necessary, the Hungarian Postal Service is not counting on raising its distribution fees this year. This is so, because last year the distribution fees for 1989 were established on a basis that taken together, newspaper deliveries and sales will be profitable. Prior to 1989 the Postal Service received 31 percent of the retail price of every periodical, and thus, due to the low "price" of daily newspapers the Postal Service incurred an 800 million forint loss each year, while they earned only 400 million forints on more expensive papers. The difference was covered by the Postal Service from its own resources, from profits made as a result of telephone services rendered. But why should the Postal Service lose money on newspaper distribution? (To top it off, rumors are that a preliminary condition for granting World Bank credits is the discontinuation of so called cross financing within and between branches of the Postal Service.)

When daily newspaper prices were discussed last year, the Postal Service succeeded in having its calculations accepted. The resultant agreement provides that the Postal Service receives 1.70 forint for the delivery of each newspaper. (In exchange they reduced the distribution cost of more expensive newspapers.) "In this way perhaps our newspaper distribution activities will end up with a zero balance this year," according to Ferenc Asztalos, head of the Postal Service division in charge of newspaper distribution. But he added that this conclusion was tentative, and by no means certain, because preliminary calculations were based on an estimated 15 percent reduction in the number of subscribers, while data thus far shows that one fourth of the subscribers stopped subscribing to daily newspapers.

The Postal Service probably achieved these conditions—favorable, compared to the conditions applicable to others—by taking advantage of its monopolistic situation. Rumors are, however, that the much-criticized Postal Service newspaper distribution monopoly in existence since 1964 will be terminated by the new law concerning the Postal Service. The Hungarian Postal Service, however, is not distressed over this possibility:

"In reality, at present the exclusivity of distribution is not at issue," Asztalos—exaggerating somewhat—said, "The chairman of the Postal Service was able to grant, and did grant permissions to publishers to do their own distribution." This possibility is available up to a certain number of copies, e.g. for the distribution of REFORM, and to Kossuth Publishers for the distribution of the periodical OSZIDO, and to the 2-forint advertising newspaper. These papers are not distributed by the Postal Service.

Publishers argue that even if the new postal law legally discontinues the Postal Service's distribution monopoly, the monopolistic situation will not cease to exist. In response to this argument the Postal Service retorts by saying that whoever believes that there is a cheaper way for newspaper distribution should try that way. According to Asztalos, "No one should count on a situation, however, by which one sells expensive newspapers on Lujza Blaha square himself, while the Postal Service continues to deliver daily newspapers to the farms, with each delivery costing 10 forints."

The Publishers' Association believes that the Postal Service is not the best possible distributor, but for the time being there is nothing better. Other publishing experts are of the opinion that the Postal Service is the best, because there is no other way to distribute newspapers. But it is precisely for this reason that a competitive distributorship must be established. Newspaper Publishing Enterprise deputy president Pal Szeles says that together with other publishers they are considering the establishment of newspaper distribution enterprises based at various county newspaper publishers. Namely, they are concerned that things will turn bad if together with the monopoly the postal service law also discontinues the obligation to distribute newspapers. According to Szeles, "If the Postal Service is not obligated to distribute newspapers—and if the only exception to this rule would be the distribution of political dailies—the Postal Service could charge as much to publishers for newspaper distribution as it wants to, since it controls the market all by itself." In order to confront this dependence newspaper publishers began thinking about their own distribution network. "Perhaps we would not have even thought of this solution, if it would have been, or if it were possible to hold substantive negotiations with the Postal Service concerning the actual cost of distribution," Szeles says. "They were never able to provide an accurate accounting of the actual cost of this activity."

In any event, publishers feel that it is possible to provide this service at a cost lower than what the Postal Service charges, if distributors stay away from establishing a huge and expensive distribution network with thousands of buildings and vehicles. Bread and milk are delivered everywhere, Volan travels to small villages, and they would also deliver newspapers for fair compensation, according to preliminary negotiations. Entrepreneurs too could be found everywhere, they could act as agents

delivering and selling newspapers. At present however, only efficiency calculations are done, and for the time being the Postal Service remains the distributor.

It appears that each participating actor in Hungarian newspaper publishing is dissatisfied with his own present situation, each wants a larger share of the profits of a presently still nonexistent "newspaper publishing business." The near term outcome can be figured out easily: Everyone will choose the simplest solution, there will be additional newspaper price increases, perhaps some newspapers will be discontinued or merged. Similarly, all parties agree that today's situation is a result of several decades of practice which for instance produced a system of subsidies and cross financing through which one cannot see through. Accordingly, newspaper publishing must be changed, the owners of individual newspapers must be sought out, publishers should have printing presses, and presses should be able to print newspapers. And of course, not to the least, the newspapers to be printed should be of the kind that are purchased, even if today's standard of living is on the decline.

[Box, p 50]

Flexible Separation

One of the last bastions of shaken centralized economic management, the machinery of mass communications, is squeaking and cracking. More than two decades had to pass since the 1968 reform for the laws of the marketplace to break into this field. One of the most urgent issues of the Hungarian information system is this: How will mass communications, subordinate to the political will and for long guided on an ad hoc basis, become a press which functions fundamentally as a business enterprise, and one, which also controls power. The rearrangement has begun. Some conflicting trends may be discovered in the information market: while in the wake of a 177-percent price increase some newspapers which sold at artificially low prices for years and which constituted loss operations lost several hundreds of thousands of subscribers, while a few high priced new weekly newspapers and periodicals appear to hold their respective grounds.

The spectacular invigoration seen in the press, a fever for establishing newspapers not seen for decades, relates in part to the changed conduct of government. The Office of Information [TH], dismantled in the summer of 1988, had guarded the development of a strongly centralized information system in Hungary. It had done so for years, by using bureaucratic methods. The TH viewed the control of the political press as the most important role of managing the press. Quite obviously, this too served as a reason for the fact that during the past decades there were only five political newspapers, while during the 1920's and 1930's there were 20-25 political newspapers in Budapest. (The sixth newspaper MAI NAP made its debut this year.) It would be interesting to know just how

many newspaper founding initiatives the TH has foisted during the past decades. We were unable to obtain an answer to this question from TH's successor institution, the press management department of the Office of the Council of Ministers. Nevertheless the licensing process of HITEL which was dragged out for ten years leaves not much doubt that for years the leadership has done everything to stand in the way of the emergence of so-called independent newspapers.

For decades, the legal and economic conditions for founding a newspaper were established by those in power in a manner so that it easily rendered impossible any newspaper founding initiative not proposed by themselves. Accordingly, ever since 23 September 1947, to this date, the publication of any newspaper has been and is subject to a license issued by the government. Prior to 1947, beginning in 1867, no approval by such authority was required (except for daily newspapers during World War II). All that had to be done is to report some data concerning the various publications to local authorities. During the past years the government not only held onto the stamp of approval needed for the launching of a newspaper, but also, for instance, to the paper stock needed by the printed press. It continues to hold on to that control mechanism to date. Accordingly, any petition to start a newspaper may be brushed aside under the pretext of having a paper shortage. The full power of the government regarding the press is also indicated by the fact that the prices, number of copies published, and even the person of the editor in chief was subject to the approval of press management.

There was little change in these rules in recent months. Despite this fact a new breeze may be felt in press management, however. In the chambers of the press management division of government they are talking about the need to liberalize newspaper publishing. "In the future, the fate of newspapers must be decided in the marketplace. By now we view newspaper publishing as a business venture. It is not difficult to predict that some newspapers will cease to exist shortly for having lost their readership, while other press organs may make a career," says Vice Chairman Botond Bercsenyi. According to Bercsenyi, the licensing of newspapers today is accomplished on a grandiose basis. Quite naturally, however, the good intentions of the office cannot resolve all problems. After all, e.g. the 1986 press law still in force stipulates that only legal entities (enterprises, associations, state organs) are authorized to establish newspapers. Private persons are not. "It is expected that the new law on information coming before Parliament in late 1989 will discontinue this rule, as well as the entire licensing process," Bercsenyi states. "Even in the meantime we are trying to judge applications to establish newspapers in a flexible manner. During the past 13 months we have licensed 102 newspapers in Hungary—eight times as many than the combined number of licenses issued in 1986 and 1987."

YUGOSLAVIA

Need for Improved Highway System Seen

28000087 Zagreb VJESNIK (PANORAMA SUBOTOM Supplement) in Serbo-Croatian 18 Mar 89 pp 8-9

[Article by Radovan Pavic: "Let's Make Sure They Don't Bypass Us!"]

[Text] Our economic/geographic position in Europe is expressed for the most part in three ways: 1) in our spatial and economic relationship to the economic communities, 2) in our geographic/transportation position, and 3) ecologically; this has not only a political dimension but also a fundamental economic one.

In analyzing Yugoslavia's economic/geographic position with respect to the economic communities, it is important to note that Yugoslavia borders upon all of the European economic organizations; this can fundamentally facilitate and stimulate cooperation—the factor of being an immediate neighbor, i.e., border contact and immediate proximity, can overcome serious political and ideological disagreements, as shown by the case of Albania. Furthermore, Yugoslavia constitutes a territorial intermediary between member states of the EC and the OECD, and this means that they are interested in the economic development of Yugoslavia and its participation in joint economic flows, especially with respect to transportation. Finally, although there are cooperation arrangements, Yugoslavia is still relatively isolated economically in Europe, and that isolation will probably be even more intensified.

Three Cardinal Sins

Yugoslavia has made three cardinal mistakes in its foreign economic relations to date: first, its political orientation has been primarily toward the nonaligned and developing countries, with ties with Europe having been relatively neglected; second, in doing so, those ties with the Third World have not been adequately realized either, because the developed capitalist world has achieved much more; and third, the orientation toward the nonaligned and developing countries has been realized in such a way that a European orientation has even been politically suspicious and proscribed, thus creating a false dilemma of choosing between Europe and the Third World—even though a universal orientation should obviously be developed. A change in that policy is necessary, and it will undoubtedly take place, but with a great delay—which is, after all, a fundamental characteristic of Balkanization.

As far as Yugoslavia's geographic/transportation position is concerned, a fundamental characteristic of its value and exploitation is that this position is the best reason for overcoming Yugoslavia's isolation—which is a synonym for backwardness and underdevelopment. With its geographic/transportation position, Yugoslavia enjoys significant advantages, which are well understood

in Europe, and that has important consequences because we do not have to prove anything to exploit our position; developed Europe itself is driving us into that process. Consequently, instead of having to overcome prejudices or prove innovations, we are experiencing constant encouragement, which we should accept; foreign capital for the construction of highways can also play a great role in this. Ideological fears are unjustified here, because in the end, after a certain number of years, the highways remain ours.

In exploiting our geographic/transportation position, we will encounter two fundamental problems: first, our backwardness is proverbial, and second, in spite of all the value of our location, it is also possible that our territory may be bypassed. Avoiding that depends most upon ourselves.

The favorable nature of Yugoslavia's geographic/transportation position with respect to southern Europe and further to the southeast may be viewed in terms of four fundamental aspects: 1) not only does its geographic/transportation position have lasting value, but that value will grow; 2) a continuing advantage will be the fact that to the south is Greece, which will always be an area attractive to tourists, and which belongs to the European Community, with which it must achieve ties as favorable as possible; 3) likewise very significant, both today and in the long run, is the fact that further to the southeast is the Middle East, which will continue its economic development; and finally, 4) it is also important to note the long-term tourist and economic significance of Albania after it completes the process of opening up to the world.

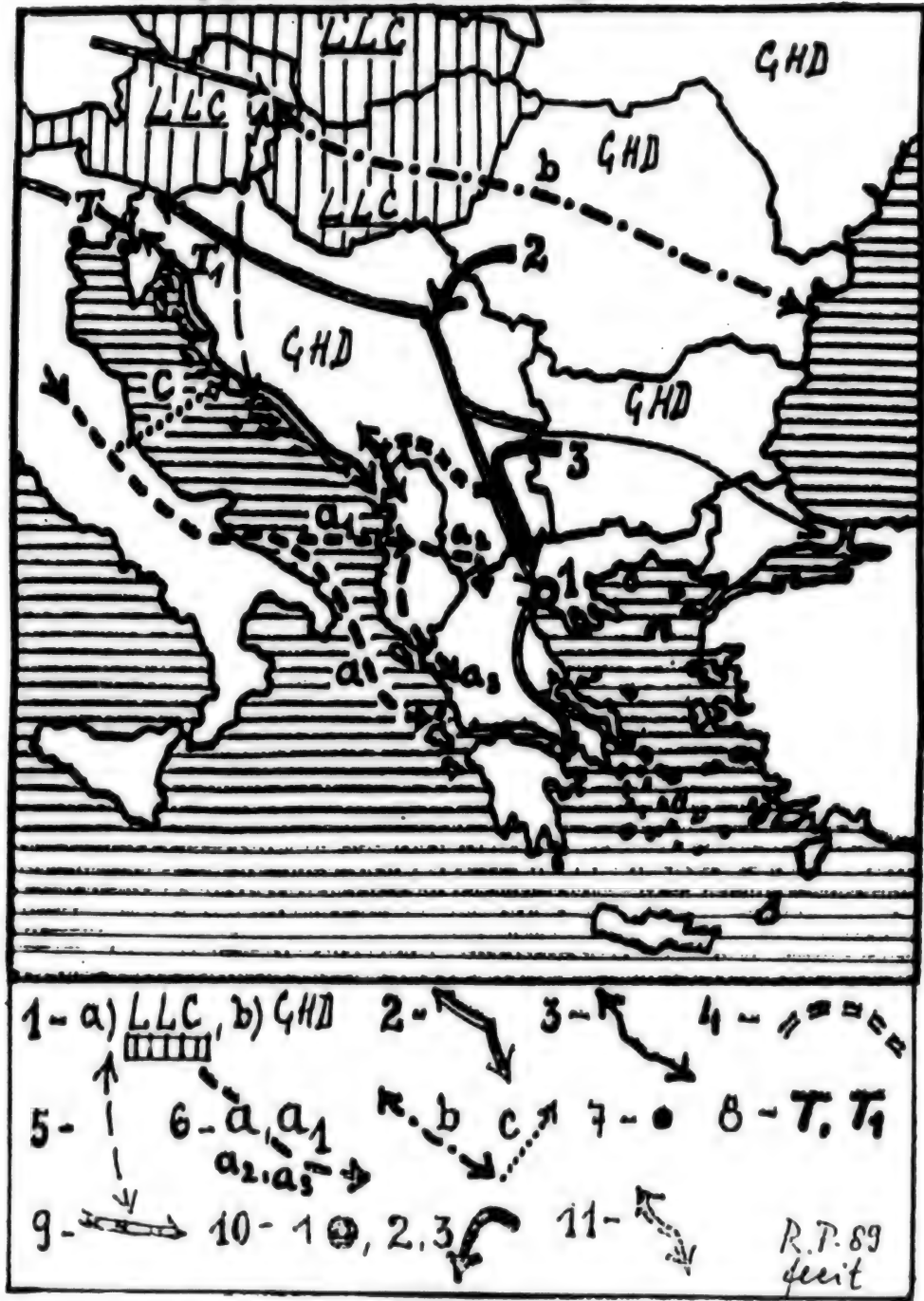
Nevertheless, the advantages of our geographic/transportation position should not be taken for granted, since there are also possibilities that our territory might be bypassed, because Istanbul, the opening to the Black Sea, Albania, and Greece can be reached by bypassing Yugoslavia! There are two possibilities for bypassing us: through Italy, which is well connected with developed central and western Europe, one can reach Greece (and in the long run Albania as well) by ferry connections, without going through Yugoslavia.

The second possibility for bypassing us is also from central Europe (from the concentrated area of the Vienna basin), toward the Black Sea and Istanbul across the territory of Hungary, Romania, and Bulgaria. Opposing such a danger also depends upon political relations and the development of a modern transportation network, but most of all upon understanding our own advantages in transportation.

Closing the Transportation Triangle

Consequently, in order to compensate for the above-mentioned dangers, it is necessary to gain recognition for Yugoslavia as a transit country, which under modern conditions means that contemporary highways have to be adequately equipped, that the transit country has to

The Geographic/Transportation Position of Yugoslavia and the Balkans



Key:

- 1.a Landlocked countries [LLC], countries without access to the sea; it is a lasting advantage of Yugoslavia's position that in its developed economic hinterland there are LLCs which will feel more and more of a need for access to maritime routes;
- 1.b Geographically handicapped states [GHD] have access to the sea, but it is not very favorable, since it is bypassed because of greater distance or it can be closed off in maritime straits or passages; however, since in the new relations of neodetente (since approximately the mid-1980's) concerns of a Cold War and geopolitical nature are

increasingly disappearing in international relations, the only problems remaining are remoteness, ways of bypassing access, or access to the less frequented maritime routes.

2. The Fraternity and Unity Highway, the main Yugoslav longitudinal highway with domestic and international significance and meaning. With the branch road from Nis toward Istanbul and the continuation to Thessaloniki, it is the main Balkan transit route.
3. The Adriatic Highway, in terms of tourism the most important Yugoslav and potential Balkan transit route, one of the main factors in the Yugoslav process of littoralization. It would be in Yugoslavia's interest to extend the Adriatic Highway along the Albanian coast all the way to the Greek road network.
4. It is of key significance for the completion and realization of the Adriatic Highway and the Yugoslav transportation triangle that the Adriatic be connected, across difficult terrain in mountainous hinterlands, to the Fraternity and Unity Highway, which will completely close the Yugoslav transportation triangle.
5. The Vienna-Graz-Maribor-Zagreb-Split road, with connections to Kopar and Rijeka, is the main potential Yugoslav transverse link between central Europe and the central Adriatic.
6. The above-mentioned road is also a possibility for bypassing Yugoslavia's territory from Italy directly toward Greece, and Albania in the long run. It is in our interest to ensure access to Greece from Albania partly through our territory (2), and not solely through Albania's (3); b—the possibility of a bypass from the Vienna basin toward the opening to the Black Sea and Istanbul; c—the necessity of developing ferry connections with Italy in order for our territory to be used at least partially on the route to Albania and Greece.
7. The rival ports on the northern Adriatic (Trieste, Venice, Kopar, and Rijeka); although the rivalry among those ports is natural and may stimulate healthy competition, it is also necessary to develop cooperation and partial specialization, since even today those ports perceive the competition of access to the North Sea, which will be intensified even more with the completion of the Rhein-Main-Danube shipping canal.
8. Italy and Yugoslavia as competing transit-exit countries for the LLCs between the central European hinterland and the Mediterranean.
9. The future European rapid transit train system is interrupted in Vienna, Trieste, and Thessaloniki, with Yugoslavia's territory being the obvious interruption, although it is a natural link between the EC states and the OECD.
10. It is in Yugoslavia's lasting interest to have adequate access, as favorable as possible, to the open Mediterranean through Thessaloniki as well, and to have the Romanian and Bulgarian access also attracted through its territory to Thessaloniki (the link among Sofia, Serbia, Macedonia, and Thessaloniki). The distance from Sofia is approximately the same as to the Bulgarian Black Sea coast, while the maritime routes toward the open Mediterranean and western Europe are not the most favorable from there. A very significant role in the activation of the hinterland may also be played by the railroad connection between Belgrade and Bar, and for the Romanian access to the sea as well: for western Romania the distance to Bar is approximately the same as to the Black Sea, while Bar's great advantage is better participation in passing international maritime traffic.
11. The Titograd-Shkoder railroad line (since 1986) may be fundamentally significant for Albania's access to the world, but also for developed Europe's access to Albania, as a new economic partner that is in the process of gradually opening up, politically and economically.

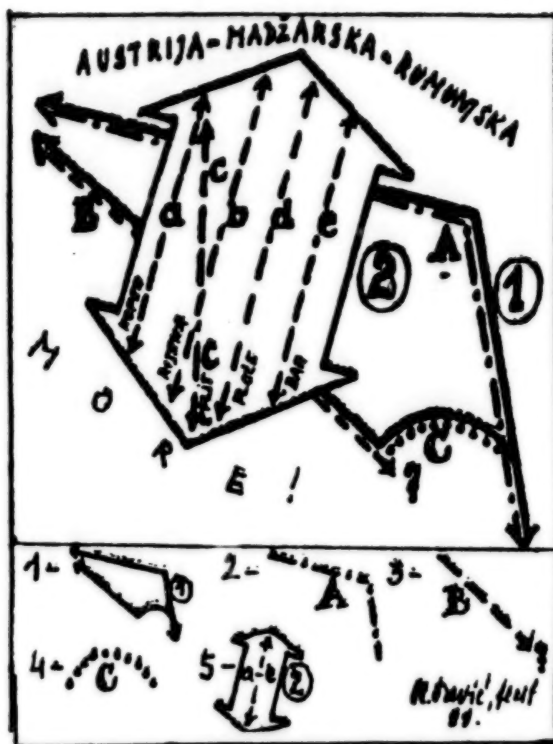
offer suitable tourist facilities along the way, that the Adriatic Highway has to be connected to the Fraternity and Unity Highway (and thus with Kosovo and Skoplje), and finally, that it is important to develop ferry connections with Italy in order to guide traffic from the Apennine Peninsula toward southern Europe and the south-east across part of our territory.

In order to exploit fully Yugoslavia's geographic/transportation position, it is also necessary, in addition to closing the Yugoslav transportation triangle, to develop transverse connections from the hinterlands to the Adriatic coast.

The main transverse routes and their significance are well known—it is sufficient here to indicate just the importance of modern links between Vienna, Graz, Maribor, Zagreb, and Split, while stressing three fundamental points: the shortest and most convenient route from Zagreb to Split is by no means an expression of Croatian nationalism, as people sometimes try to show, and instead that route is economically—especially in terms of tourism—the most suitable link between the European and Vienna populated hub, and the central Adriatic, in which Split is an important hub of distribution. The potential but realistic role of Split is indicated by the attempts (since 1988) to have Munich and Vienna connected with Zagreb and Split by special "local" airline flights (45-seat airplanes). Furthermore, in front of Split there is a group of large islands whose tourist value has not been sufficiently exploited, or whose initial exploitation is yet to begin. Consequently, modern links between Zagreb and Austria and Split are a vital factor in the tourist development of Yugoslavia.

It is important to note that the modern link between the Vienna basin and Zagreb and Split is our only transverse transportation route which can very favorably guide traffic from western, central, and northern Europe through the Vienna basin toward the Adriatic, offering Adriatic facilities, but also part of an interesting hinterland, and thereby countering a shorter route from the Vienna basin to the Black Sea.

Schematic of Transverse Transportation Links on the Territory of Yugoslavia



Key:

1. The Yugoslav road transportation triangle
2. The Fraternity and Unity Highway
3. The Adriatic Highway
4. The link between A and B
5. The transverse links: a) Austria-Kopar; b) Hungary-Rijeka; c) Austria (Hungary)-Split; d) Hungary-Ploče; and e) Romania-Bar.

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